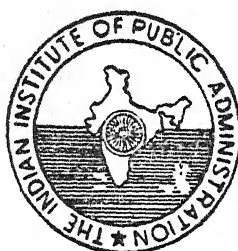
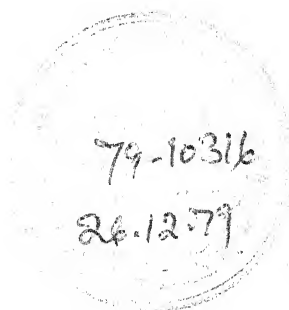


IMPORT OF EDIBLE OILS UNDER FREE LICENSING SCHEME, 1977

A
REPORT SUBMITTED TO
THE MINISTRY OF COMMERCE
GOVERNMENT OF INDIA



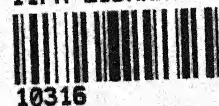
S. K. GOYAL
K. N. KABRA



THE INDIAN INSTITUTE OF PUBLIC ADMINISTRATION
INDRAPRASTHA ESTATE, RING ROAD
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DECEMBER, 1977

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PREFACE

The Ministry of Commerce, Government of India entrusted the Indian Institute of Public Administration, New Delhi "a comprehensive study of all aspects relating to the import of edible oils by private trade under the free licensing scheme". The scheme was announced in pursuance of "the decision of the Central Government in January, 1977". It was reported that though import licences to the value of over Rs.500 crores had been issued upto the middle of April, 1977, actual imports of edible oils had been rather low. Our Report deals with the central issues connected with the decision to grant licences for import of edible oils on a free basis.

We gratefully acknowledge the cooperation extended to us by the Office of the CCI&E, Dr. Dharam Narain, Chairman, Agricultural Price Commission, Dr.Y.K. Alagh, Adviser, Perspective Planning Division, Planning Commission and Shri M.M. Gupta of the STC. We express our sincere thanks to Shri R.M. Halldipar, Director, Indian Institute of Public Administration for his constant help and interest in the study. We would also like to place on record our thanks to our colleagues in the Division on Public Policy and Planning, Prof. D.D. Narula of the ICSSR, Prof. S.P. Verma and Dr. S.K. Sharma for

going through the earlier drafts and for offering helpful comments. While we have benefitted from discussions with many friends, the responsibility for the Report is ours alone.

Shri Ashok Kumar deserves our thanks for providing assistance in the statistical work. Shri G.K. Arora and Shri R.K. Verma shouldered secretarial responsibility. We express our appreciation and thanks to them.

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CHAPTER - I

EDIBLE OIL ECONOMY OF INDIA

CHAPTER - I

This chapter presents data on important aspects of the edible oil economy of India. The essential purpose in doing so is to provide the necessary overall perspective and evolve a framework to examine the Government decision of January 17, 1977, placing imports of certain edible oils and oil seeds under the Open General Licence Scheme. The Chapter, we hope, would also prove helpful in enabling informed decision making with reference to our conclusions and recommendations, as given in Chapter IV, of this Report.

Per Capita Availability

2. Vegetable oils have great nutritional significance. According to expert opinion, for a balanced human diet nearly 180-200 calories per day should be drawn from edible oils.⁽¹⁾ On this basis, per capita requirement of edible oils would be nearly 13.87 kg. per annum.⁽²⁾ The

(1) INDIA, National Commission on Agriculture, Part II, pp. 192-193 (Henceforth mentioned as NCA).

(2) This is the suggested allowance for a typical balanced diet, by the NCA. In a balanced diet one visualizes availability of a number of other supplementary foods. For instance, it is presumed that the diet would have 180 gms. of milk and milk products. In case of abundant supply of milk the dependence on edible oils could be reduced. It is necessary to underline that balanced diet concept does not take note of reality. For instance, in India per capita availability of cereals is 434 gms. per day whereas the balanced diet would have only 370 gms. of cereals. And yet the country is underfed !

availability level in India, however, was 3.5 kg. in 1975-76.⁽¹⁾ The gap between the nutritional requirements and availability has persisted for long. The level of per capita availability of edible oils was sought to be improved under planning in a gradual manner. In 1964, the Planning Commission had envisaged that as compared to 3.2 kg. per capita availability of oils in 1960-61, by 1975-76 the availability would be raised to 5.1 kg.⁽²⁾ Progress towards this objective has been poor. In fact, the per capita availability was as low as 2.4 kg. in 1972-73 and 2.6 kg. in 1968-69. The availability of Vanaspati has also not been uniform. Table-I shows the per capita availability of edible oils and Vanaspati during 1955-56 and 1976-77.

Edible Oils
in Food Basket

3. Relative significance of edible oils in consumption basket of Indians varies from one State to another, with income levels and nature of work and from rural to urban areas. In construction of Working Class Consumer Price Index Numbers in India, the weight assigned to expenditure on oil, in the food basket, is 8.22 per cent at Digboi, 8.05 for Bhopal and only 1.61 at Allepy.⁽³⁾ One

(1) INDIA, Economic Survey, 1976-77, p. 67.

(2) INDIA, (Planning Commission), Notes on Perspectives of Development, India: 1960-61 to 1975-76, 1964, p. 4.

(3) See INDIA, (Ministry of Labour) Working Class Consumer Price Index Numbers in India: A Monograph, 1972, Delhi.

TABLE - I

Showing Per Capita Availability of Edible Oils
And Vanaspati During 1955-56 to 1975-76.

Sl. No.	Year	Edible Oils (Kgs.)	Vanaspati (Kgs.)
1	2	3	4
1.	1955-56	2.5	0.7
2.	1960-61	3.2	0.8
3.	1961-62	3.2	0.7
4.	1962-63	3.1	0.8
5.	1963-64	2.7	0.8
6.	1964-65	3.6	0.8
7.	1965-66	2.7	0.8
8.	1966-67	2.7	0.7
9.	1967-68	3.4	0.8
10.	1968-69	2.6	0.9
11.	1969-70	3.0	0.9
12.	1970-71	3.5	1.0
13.	1971-72	3.0	1.1
14.	1972-73	2.4	1.0
15.	1973-74	3.4	0.8
16.	1974-75	3.3	0.6
17.	1975-76*	3.5	0.8

* Provisional

Source: INDIA, Economic Survey 1976-77, 1977, Delhi, p.67

also observes that consumer acceptability for different oils varies from one part of the country to another. For instance, mustard oil is popular in Eastern States, sesamum and coconut in some Southern States and groundnut in Gujarat and Maharashtra. Generally speaking, consumption of edible oil is higher in urban areas ^{and} for higher income groups. Per capita availability of Vanaspati was 0.72 kg. in rural India as compared to 2.86 kg. for the urban areas.⁽¹⁾ The aggregate expenditure elasticity of demand for oils is near unity.⁽²⁾ This would suggest that its overall demand would rise in proportion to the degree of improvement in income levels. It is also seen that edible oils are a substitute to butter oil (ghee). In a state like Punjab where per capita availability of milk and milk products is high, the importance of vegetable oils (keeping in mind the relatively higher income levels of Punjab) is lower as against the neighbouring State of Rajasthan.⁽³⁾

Edible Oil
as Raw
Material

4. Apart from vegetable oils needed for direct and indirect human consumption these oils also constitute an important raw material in the manufacture of soaps,

(1) Ibid, Table-VI.

(2) See: "Projections of Demand for Selected Agricultural Commodities in India", NCA (Mimeographed).

(3) NCA, Part II, p.190

lubricants, paints and some other products. In 1970, it was estimated that out of the total of 2.96 million tonnes of edible oils, nearly 20 per cent was used for industrial purposes.⁽¹⁾ A number of attempts, in the past, have been made to estimate the future requirements of edible oils for different uses. The estimates, however, vary substantially.⁽²⁾

5. Edible Oils Table-II shows production and composition of vegetable oils in India during the last six years. The major oil seeds are: groundnut, mustard/rapeseed, sesamum and coconut. These four account for nearly nine-tenths of the total edible oil production. Groundnut alone accounts

(1) In 1971, other than for direct human consumption, edible oil was estimated to have been used in the following manner: soaps (0.35 million tonnes), paints (0.08 m.t.), and toilets, lubricants (0.30 m.t.). Nearly 0.63 million tonnes was converted into Vanaspati. Also see NCA, Part III, p.45 and 'Note on Demand Supply Balance for Oil Seeds' by PPD, Planning Commission (1977).

(2) The Planning Commission estimates are for 1980-81, 1983-84, and 1988-89. The NCA estimates are for 1980-81 1985-86, upto 2000 A.D. The primary reasons for the differences arise out of differing assumptions and objectives of the exercises. Should one assume no change in the distribution of income? Should one assume governmental responsibility in ensuring minimum needs on nutritional basis? However, given the differences in assumptions the Planning Commission estimates that in 1978-79, the total demand for vegetable oils would be of the order of 36.16 lakh tonnes rising to 40.15/tonnes and 47.97 lakh tonnes in 1980-81 and 1983-84, respectively.

/lakh

TABLE - II

Showing Production of Edible Oils

During 1971-72 to 1976-77

(In lakh tonnes)
(Percentage in brackets)

Sl. No.	Oils	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77*
	1	2	3	4	5	6	7
1. Groundnut Oil		14.29 (60.19)	9.18 (44.05)	13.45 (52.27)	11.57 (44.60)	16.20 (55.33)	12.50 (52.97)
2. Mustard Oil		4.56 (19.21)	5.90 (28.31)	5.45 (21.18)	7.15 (27.56)	6.18 (20.99)	5.00 (21.19)
3. Sesamum Oil		1.40 (5.90)	1.20 (5.76)	1.50 (5.83)	1.19 (4.59)	1.41 (4.79)	1.10 (4.66)
4. Cottonseed Oil		0.75 (3.16)	1.80 (8.64)	1.75 (6.80)	2.00 (7.71)	1.75 (5.94)	1.70 (7.20)
5. Coconut Oil		1.87 (7.87)	1.81 (8.68)	1.73 (6.72)	1.78 (6.86)	1.81 (6.15)	1.80 (7.63)
6. Soyabean Oil		0.03 (0.13)	0.04 (0.19)	00.06 (0 .23)	0.07 (0.27)	0.10 (0.34)	0.10 (0.42)
7. Sunflower Oil		- -	0.32 (1.53)	0.65 (2.53)	0.96 (3.70)	0.72 (2.44)	0.20 (0.85)
8. Safflower Oil		0.52 (2.19)	0.33 (1.58)	0.76 (2.95)	0.85 (3.28)	0.84 (2.85)	0.80 (3.39)
9. Nigerseed Oil		0.32 (1.35)	0.26 (1.25)	0.38 (1.48)	0.37 (1.43)	0.43 (1.46)	0.40 (1.69)
Total		23.74 (100.00)	20.84 (100.00)	25.73 (100.00)	25.94 (100.00)	29.44 (100.00)	23.60 (100.00)

* Rough Estimate

Source: INDIA, Oil Seeds Situation, March 1977(Economic and Statistical Adviser) to
the Government of India.

for more than half and mustard/rapeseed for more than 20.0 per cent of the total edible oils. Due to the dominant position of groundnuts as a source for edible oil, it sets the pace for price of all other edible oils. Soyabean and sunflower, though important sources of edible oil in many countries of the world, play a marginal role in the edible oil supplies in India. A notable feature of the recent years is the changes witnessed in the relative importance of different oils while the overall level is not significantly changing. The soyabean and sunflower oils are tending to grow at a slow but steady rate.

Oil Seeds:
Production
Trends:

6. Production of vegetable oils is related to the production of oil seeds. Table-III shows changes in output of major oil seeds as emerging from a comparison of triennial average output for 1962-63 to 1964-65 and 1973-74 to 1975-76. We have compared two periods of three years each, instead of two points each representing a year in order to undo the impact of abnormal fluctuations occurring from year to year. The gross output of oil seeds increased by nearly 22 per cent over 11 years. The change seems to be more prominent for mustard/rapeseed. As a result the relative share of mustard increased from 16.2 to 21.4 per cent in the total output. The increases

TABLE - III

Showing Production Levels of Oil Seeds

(thousand tonnes)

Sr. No.	Oil Seeds	Output		% of total output		% Change during the period
		Average for 1962-63, 63-64 & 64-65	Average for 1973-74, 74-75 & 75-76	Average for 1962-63, 63-64 and 64-65	Average for 1973-74, 74-75 and 75-76	
	1	2	3	4	5	6
1.	Groundnut	5308.0	6011.4	70.43	65.45	13.25 %
2.	Rapeseed/ Mustard	1221.1	1966.9	16.20	21.41	61.08 %
3.	Sesamum	465.5	447.3	6.18	4.87	3.91 %
4.	Linseed	438.2	562.9	5.81	6.13	28.46 %
5.	Castor Seed	103.8	196.6	1.38	2.14	89.40 %
6.	Major Oil Seeds	7536.6	9185.1	100.00	100.00	21.87 %

(Source: The relevant issues of Agricultural Situation in India, a monthly publication).

in output are essentially explained by the increases in area under oil seed crops and partly by improvements in productivity which is quite pronounced in some States.

Productivity 7. Table-IV shows changes in the productivity of oil seeds. It is seen that average productivity per acre, when viewed over a period, has witnessed an increase in the case of rapeseed and mustard. In the case of groundnuts the change is marginal.

Area 8. Area under oil seeds cultivation in India during the last many years has not witnessed any substantial change. See Table-V. The increase in area under oil seeds was only by 4.3 per cent over 11 years. If one compares the relative changes in area for different oil seeds, a noticeable change appears to be in the case of mustard/rapeseed cultivation. For sesamum the crop area has declined.

Regional Dis-9. Oil seed production is concentrated in a few states
tribution of of the country. The five States, viz., Gujarat, Tamil
Oil Seeds Nadu, Maharashtra, Andhra and Karnataka account for nearly
Production four-fifths of the groundnuts crop - which is the leading source of edible oils. With regard to rapeseed/mustard the production is concentrated in Uttar Pradesh, Rajasthan, Punjab, Haryana and Madhya Pradesh.

TABLE - IV

Showing Change in Productivity of Oilseeds

Sl. No.	Oilseeds	(Kg./hectare)		
		Yield		Growth rate per annum %
		Average for 1962-63, 63- 64 & 64-65	Average for 1973-74, 74- 75 & 75-76	
	1	2	3	4
1.	Groundnut	762.3	840.3	+ 0.89
2.	Rapeseed & Mustard	406.5	561.5	+ 2.98
3.	Sesamum	188.8	197.2	+ 0.53
4.	Linseed	226.4	270.1	+ 1.89
5.	Castor Seed	229.8	388.4	+ 2.50
6.	Major Oilseeds	506.8	592.0	+ 1.42

(Source: Relevant issues of Agricultural Situation
in India, a monthly publication)

TABLE - V

Showing Shift in Area Under Oilseeds

('000 hectares)

Sl. No.	Oilseeds	Area under crop		% of Total Areas under Major Oilseeds		% change in area over the period
		Average for 1962-63, 63-64 & 64-65	Average for 1973-74, 74-75 & 75-76	Average for 1962-63, 63-64 & 64-65	Average for 1973-74, 74-75 & 75-76	
	1	2	3	4	5	6
1.	Groundnut	6963.1	7153.9	46.82	46.11	+ 2.74 %
2.	Rapeseed & Mustard	3004.1	3502.8	20.20	22.58	+16.60 %
3.	Sesamum	2465.2	2268.8	16.57	14.62	- 7.97 %
4.	Linseed	1988.1	2083.7	13.37	13.43	+ 1.02 %
5.	Castor Seed	451.7	506.2	3.04	3.26	12.06 %
Total for Major Oilseeds		14872.2	15575.4	100.00	100.00	+ 4.32 %

(Source: Agricultural Situation in India).

Table-VI shows the state-wise pattern of groundnuts production. Oil seed cultivation in Gujarat and Maharashtra has declined. Andhra Pradesh and Tamil Nadu seem to be picking up fast in the cultivation of oil seeds. Rajasthan, though comparatively less important as an oil seed producer, has increased its level of oil seed production to nearly double in 11 years (mustard only). See Table-VII.

Unirrigated
Nature of Oil
Seed Culti-
vation.

10. The area base for oil seeds in India is not very large. Of the gross cropped area of nearly 16.3 crore hectares in India in the year 1975-76, area under oil seeds was 1.55 crore hectares only i.e. 9.46 per cent.⁽¹⁾ Of the total area under oil seeds less than one-tenth is irrigated. Table-VIII shows the extent of irrigation for groundnut during the four years, 1970-71 to 1973-74 for the major groundnut producing states. It can be seen that the irrigated area under groundnut is increasing sizeably in Tamil Nadu. Gujarat, accounting for a large portion of groundnut output, has almost negligible (less than 2 per cent) irrigated area under groundnut cultivation.

(1) The Percentage of area under oil seeds was 8.15 in 1970-71. See: INDIA, All India Report on Agricultural Census 1970-71, 1975, p.37.

TABLE - VI

Showing Regional Pattern of Groundnut Production

(Thousand tonnes)

Sl. No.	States	Output		% of Total Output	
		Average for 1962-63, 63-64 & 64-65	Average for 1973-74, 74-75 & 75-76	Average for 1962-63, 63-64 & 64-65	Average for 1973-74, 74-75 & 75-76
	1	2	3	4	5
1. Gujarat		1290.0	1246.9	24.30	20.74
2. Tamil Nadu		1020.3	1115.3	19.22	21.89
3. Andhra Pradesh		785.1	1315.8	14.79	18.55
4. Maharashtra		752.5	571.5	14.18	9.51
5. Karnataka		545.3	644.4	10.27	10.72
6. Madhya Pradesh		300.1	290.5	5.65	4.83
7. Uttar Pradesh		290.1	318.6	5.47	5.30
8. Other States		324.6	508.4	6.12	8.46
9. All India		5308.0	6011.4	100.00	100.00

(Source: Agricultural Situation in India).

TABLE - VII

Showing Regional Pattern of Rapeseed and Mustard Production

Sl. No.	States	(Thousand tonnes)			
		Output		% of Total Output	
		Average for 1962-63, 63-64 & 64-65	Average for 1973-74, 74-75 & 75-76	Average for 1962-63, 63-64 & 64-65	Average for 1973-74, 74-75 & 75-76
	1	2	3	4	5
1.	Uttar Pradesh	775.0	1223.7	63.82	62.47
2.	Punjab	132.7	204.4	10.93	10.39
3.	Rajasthan	84.2	163.9	6.93	8.33
4.	Madhya Pradesh	50.9	164.5	4.19	8.37
5.	Assam	47.9	73.0	3.94	3.71
6.	Bihar	38.2	48.8	3.15	2.48
7.	West Bengal	33.9	41.1	2.79	2.09
8.	Other States	51.6	42.5	4.25	2.16
9.	All India	1214.4	1966.9	100.00	100.00

(Source: Agricultural Situation in India).

TABLE - VIII

Showing Extent of Irrigated Area for Groundnut

('000 hectares)

Sl. No.	States	1970-71			1971-72			1972-73			1973-74		
		Area	Irrigated area	%age of Irrigated to total area	Area	Irrigated area	%age of Irrigated to total area	Area	Irrigated area	%age of Irrigated to total area	Area	Irrigated area	%age of Irrigated to total area
1		2	3	4	5	6	7	8	9	10	11	12	13
1.	Andhra Pradesh	1,481	238	16.1	1,524	222	14.6	1,415	155	11.0	1,388	231	16.6
2.	Gujarat	1,758	22	1.3	1,778	22	1.2	1,741	22	1.3	1,582	22	1.4
3.	Karnataka	837	76	9.1	985	75	7.6	720	59	8.2	925	59	6.4
4.	Madhya Pradesh	464	-	-	490	-	-	436	-	-	439	-	-
5.	Maharashtra	953	21	2.2	751	22	2.9	763	23	3.0	675	18	2.7
6.	Tamil Nadu	1,000	181	18.1	1,117	202	18.1	1,061	178	16.8	1,136	269	23.7
7.	Uttar Pradesh	341	1	0.3	328	-	-	315	1	0.3	353	1	0.3
8.	All India	7,326	567	7.7	7,510	569	7.6	6,990	486	7.0	7,024	646	9.2

(Source: Directorate of Economics and Statistics, Ministry of Agriculture and Irrigation. As quoted by the Agricultural Price Commission Report 1977).

Output
Fluctuations

11. Groundnut crop, which contributes more than half of the edible oil production in the country, experiences a good deal of year to year output fluctuations. It is interesting that for the country as a whole the output fluctuations are not clearly related to changes in the crop area of the year. Chart A-(i) shows movement of Index Numbers of Area and production for the country for groundnut over the period of 1964-65 to 1976-77 (See Appendix-A). If one takes individual states separately, the most violent fluctuations in output are seen in Gujarat. See Chart-A(iii). In the case of Andhra and Tamil Nadu there are, by and large, similar variations in output and area (See Chart-A (ii) and A-(iv)). The fluctuations in output and yield per acre are primarily due to the fact that most of the groundnut cultivation is on rainfed land. It is obvious that the fortunes of groundnut cultivators and national supplies of it are very much at the mercy of weather Gods.

Domination
of Large
Farmers

12. A feature worth noticing about the pattern of oil seeds cultivation in India is that nearly two-thirds of the oil seed crops are raised on holdings of 4.0 hectares and above and about one-third being grown on holdings of 10 hectares and above. Table-IX shows oil seed cultivation by size groups of holding (1970-71). In Gujarat

CHART-A.

SHOWING INDEX NUMBER OF AREA AND PRODUCTION
(GROUND NUT : 1964-65 to 1975-76)

BASE : 1964-65 = 100

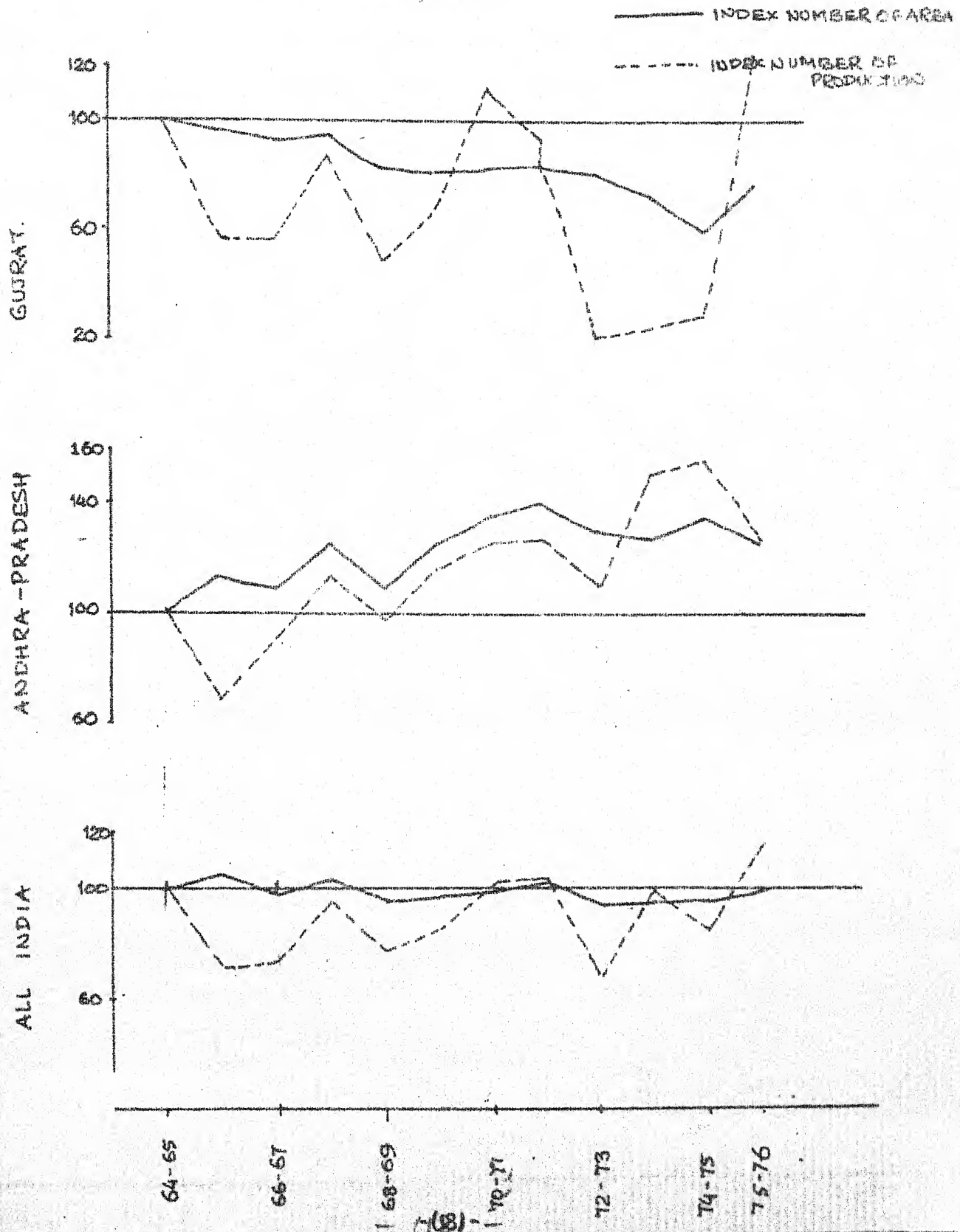


CHART - A (CONTINUED)

— INDEX NUMBER OF AREA
 - - - INDEX NUMBER OF PRODUCTION

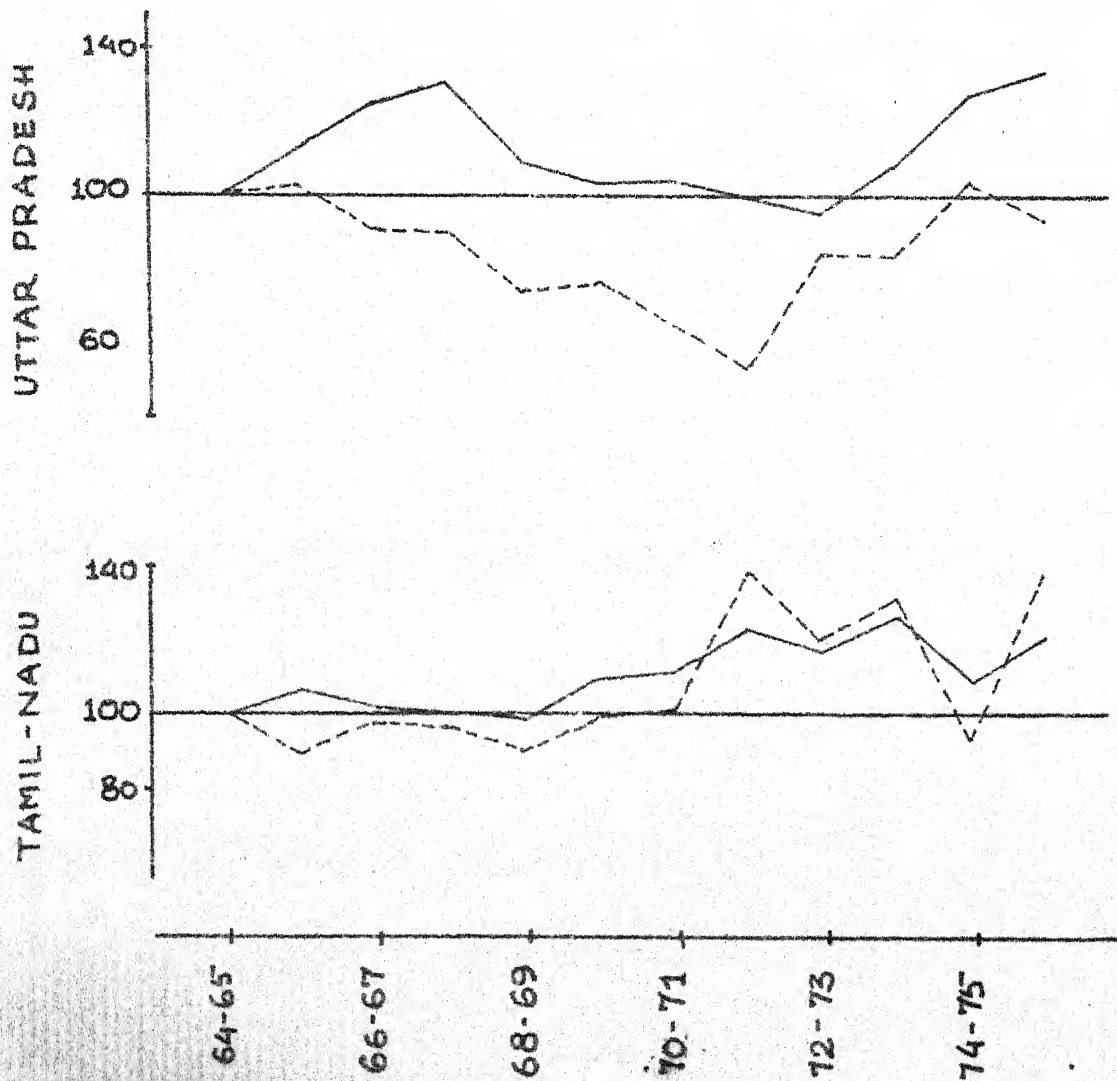


TABLE - IX

Showing Percentage Distribution of Oil seeds
Cultivation by Size Group of Holding in 1970-71

Sl. No.	States	Below 0.5 hect.	0.5-1.0 hect.	1.0-2.0 hect.	2.0-4.0 hect.	4.0-10.0 hect.	10 hect. & above	Total
	1	2	3	4	5	6	7	8
1.	Gujarat	0.1	0.5	3.9	12.8	42.6	40.0	100.0
2.	Madhya Pradesh	1.3	2.7	7.2	16.4	36.1	36.3	100.0
3.	Maharashtra	0.6	1.7	5.8	14.6	37.4	39.8	100.0
4.	Karnataka	0.5	2.6	9.9	20.4	36.1	30.5	100.0
5.	Rajasthan	1.1	3.3	9.5	18.4	30.1	37.6	100.0
6.	Uttar Pradesh	6.0	10.1	19.5	26.6	25.9	11.9	100.0
7.	Andhra Pradesh	1.6	3.9	10.7	19.5	32.8	31.5	100.0
8.	Tamil Nadu	4.8	10.6	20.9	26.8	23.2	13.7	100.0
9.	All India	7.9		11.2	18.3	33.2	29.4	100.0

(Source: INDIA, All-India Report on Agricultural Census 1970-71, 1975, p. 71).

which has the largest area under oil seeds in the country, four-fifths of the oil seed area was in holdings of 4.0 hectares and above. The above pattern is in contrast to cultivation of rice in which holdings below 4.0 hectares account for the largest part of the cultivated area in most of the states.⁽¹⁾ A direct implication of the above is the large farmers' likely reaction to anticipated price movements and their decision to market the crop in a manner that would get them the best maximum return. In this, one presumes that larger a farmer, higher would his waiting capacity be. The compulsions to rush their crops to market would not be as great as it would be for smaller and poorer cultivators. One should expect that in order to obtain better prices the large farmers would bring their output to the market in a delayed manner as prices start escalating gradually after the post harvest months. The adoption of such tendencies should get reflected in the pattern of market arrivals. This phenomenon has been witnessed in the case of groundnut crop in India. We compared the pattern of all India market arrivals of groundnut for 1968-69 and 1975-76. There is an indication that the market arrivals of groundnut in the first quarter, as percentage of total

(1) INDIA, Agricultural Census 1970-71, pp.81-82.

yearly arrivals, in 1975-76 was 40.6 as against 49.6 of 1968-69. On the other hand, larger share of the crop was marketed during the third quarter. A similar exercise was also undertaken for groundnut crop in Gujarat. The shift is more marked. See Chart-B and Table-X. These shifts have a number of policy implications.

Exports and Imports

13. Edible oil, unlike pulses and some other crops, is an item which has an international market. For long, India has been trading in edible oils with the rest of the world. India exports certain oil seeds and oils and imports certain other types of oils and oil seeds. Table-XI, XII and XIII show India's overall exports and imports of (i) edible oils, (ii) oil seeds (in quantities and values), and (iii) the balance of trade on this account. The trade balance has been uniform. India was a net importer of edible oils and seeds during 1972 and 1973. The position was reversed in next two years, 1974 and 1975. In 1975, India was net importer of edible oils (Rs.22.66 crores) but exported oil seeds worth Rs.78.99 crores. The exports were quite substantial for HPS groundnuts. It is also seen that India has been an exporter of linseed and castor oil. The edible oils imported have been soyabean oil and rapeseed oil. One

CHART-B

SHOWING PATTERN OF MARKE ARRIVALS C GROUNDNUT
DURING 1968-69 AND 1975-76

----- YEAR 1968-69.
 ——— YEAR 1975-76.

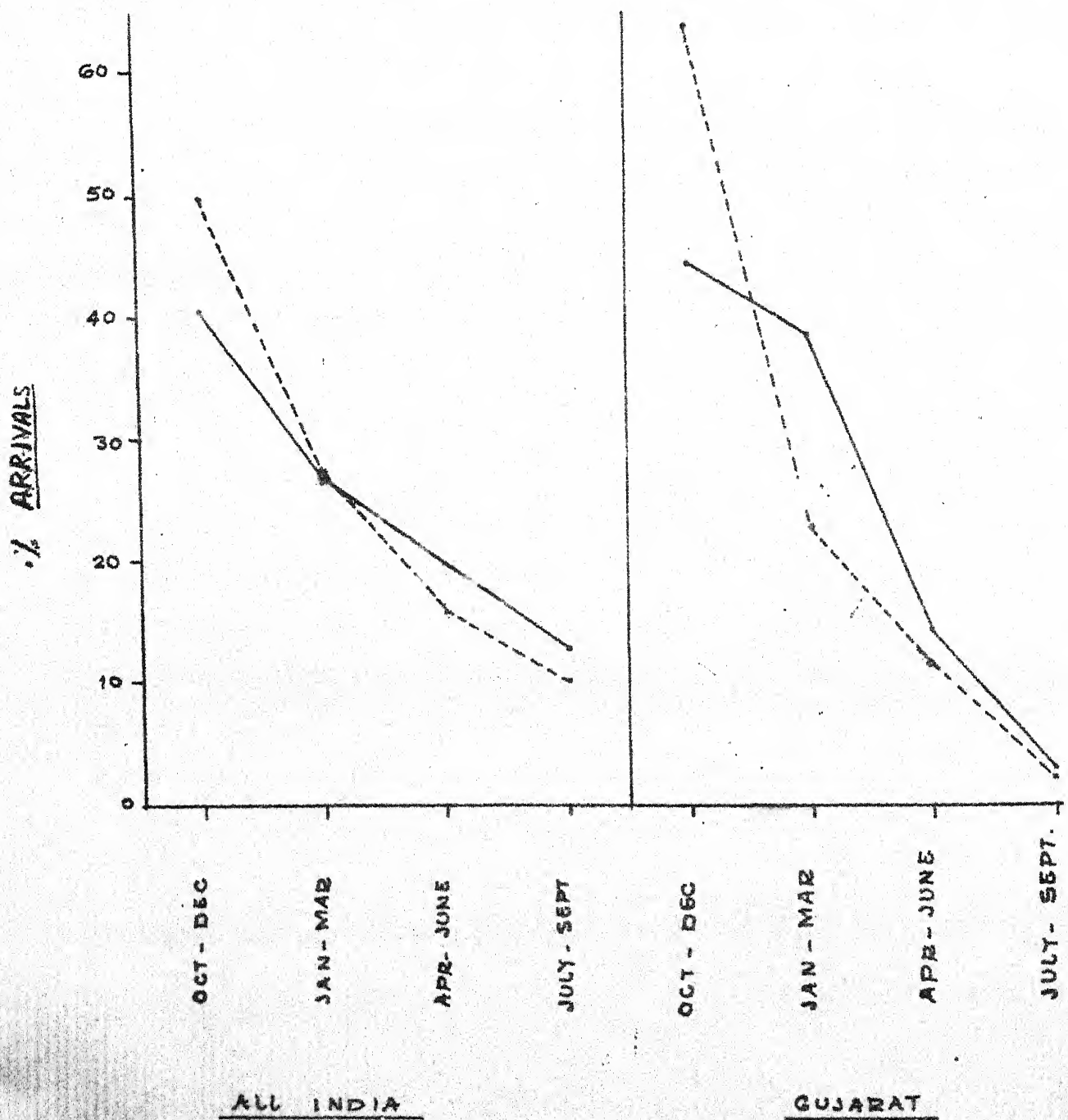


TABLE - X

Showing Pattern of Market Arrivals of
Groundnut During 1968-69 and 1975-76
(All-India and Gujarat)

Sl. No.	Months	All-India		Gujarat	
		Percentage Arrivals		Percentage Arrivals	
		1968-69	1975-76	1968-69	1975-76
	1	2	3	4	5
1.	October to December	49.60	40.60	63.91	44.37
2.	January to March	27.18	26.82	22.52	38.34
3.	April to June	13.15	19.73	11.42	14.21
4.	July to September	10.07	12.85	2.15	2.87
5.	Total	100.00	100.00	100.00	100.00

(Source: INDIA, Bulletin on Food Statistics 1975-76, 1977, p.23 and INDIA, (Agricultural Price Commission) Report on Price Policy for Groundnut, Soyabean, and Sunflower-seed for the 1972-73 season, 1972, p. 16).

TABLE - XI

Showing Imports and Exports of Edible Oils
During 1972 to 1976

Years	Quantity (Thousand tonnes)			Value (Crores rupees)		
	Import	Export	Net Imports	Import	Export	Net Exports
1	2	3	4	5	6	7
1972	67.596	47.876	+ 19.720	20.164	18.104	- 2.060
1973	153.236	50.411	+102.825	49.441	36.868	- 12.573
1974	72.865	54.422	+ 18.643	23.147	39.081	+ 15.934
1975	30.220	76.054	- 45.834	15.999	30.819	+ 14.820
1976	106.281	90.719	+ 16.102	66.446	43.785	- 22.661

(Source: INDIA (Ministry of Agriculture and Irrigation,) Bulletin on Food Statistics, 1977, pp. 134-135.)

TABLE - XII

Showing Import and Export of Oil Seeds
During 1972 to 1976

Years	Quantity (Thousand tonnes)			Value (Crores rupees)		
	Import	Export	Net Imports	Import	Export	Net Exports
1	2	3	4	5	6	7
1972	44.132	28.254	+ 15.878	6.774	5.788	- 0.986
1973	79.187	35.703	+ 43.484	12.336	11.974	- 0.362
1974	34.028	95.543	- 61.515	12.487	38.734	+ 26.247
1975	18.685	101.814	- 83.129	6.452	44.338	+ 37.886
1976	10.930	195.579	-184.649	2.479	78.986	+ 76.507

(Source: INDIA (Ministry of Agriculture and Irrigation),
Bulletin on Food Statistics, 1977, pp. 134-135.)

TABLE - XIII

Showing Import and Export of Edible Oils
and Oil Seeds During 1972 to 1976

(Value in Crores rupees)			
Year	Import	Export	Net Exports
1	2	3	4
1972	26.938	23.104	- 3.046
1973	61.777	48.842	- 12.935
1974	35.634	77.815	+ 42.181
1975	22.451	75.157	+ 52.706
1976	68.925	122.771	+ 53.846

(Source: INDIA (Ministry of Agriculture and
Irrigation) Bulletin on Food
Statistics, 1977, pp. 134-135.)

does not know of the comparative advantage of exporting groundnut seeds; however, it is obvious that exports worth Rs.78.99 crores of oil seeds in one year must have the implication of reduced domestic availability of edible oils.

Price Move- 14.
ments: Secular
Trend

Table-XIV shows movements of edible oil Price Index over the period of April 1962 to April 1977. One can observe the presence of a rising secular trend in the prices of edible oil. In view of the nature of the price data, instead of plotting a normal scale graph, we have shown the price trend on logarithmic scale on the vertical axis and normal scale on the horizontal axis. The growth rate in prices of edible oils in India works out to be nearly 9.5 per cent per annum.⁽¹⁾ The existence of an upward secular trend can be explained in terms of a number of factor. Firstly, the demand for edible oils in India has to be seen in relation to the rate of population increase during the period. Between 1961 and 1976, the rate of population increase has been nearly of the order of 2.4 per cent per annum against the less than 2.0 per cent per annum increase in oil seed production. Secondly, the price rise of

(1) The Trend line of price Y_t is given by:

$$Y_t = 86.5798 \cdot (10)^{.0394 \cdot t} \text{ where } t \text{ is the time}$$

period measured in years from November 1969.

This leads to 9.5 per cent growth rate in prices.

CHART-C.

SHOWING PRICE INDEX (MONTHLY) OF EDIBLE OIL (ON-LOG SCALE)
DURING APRIL 1962 TO APRIL 1977

BASE 1970-71 = 100

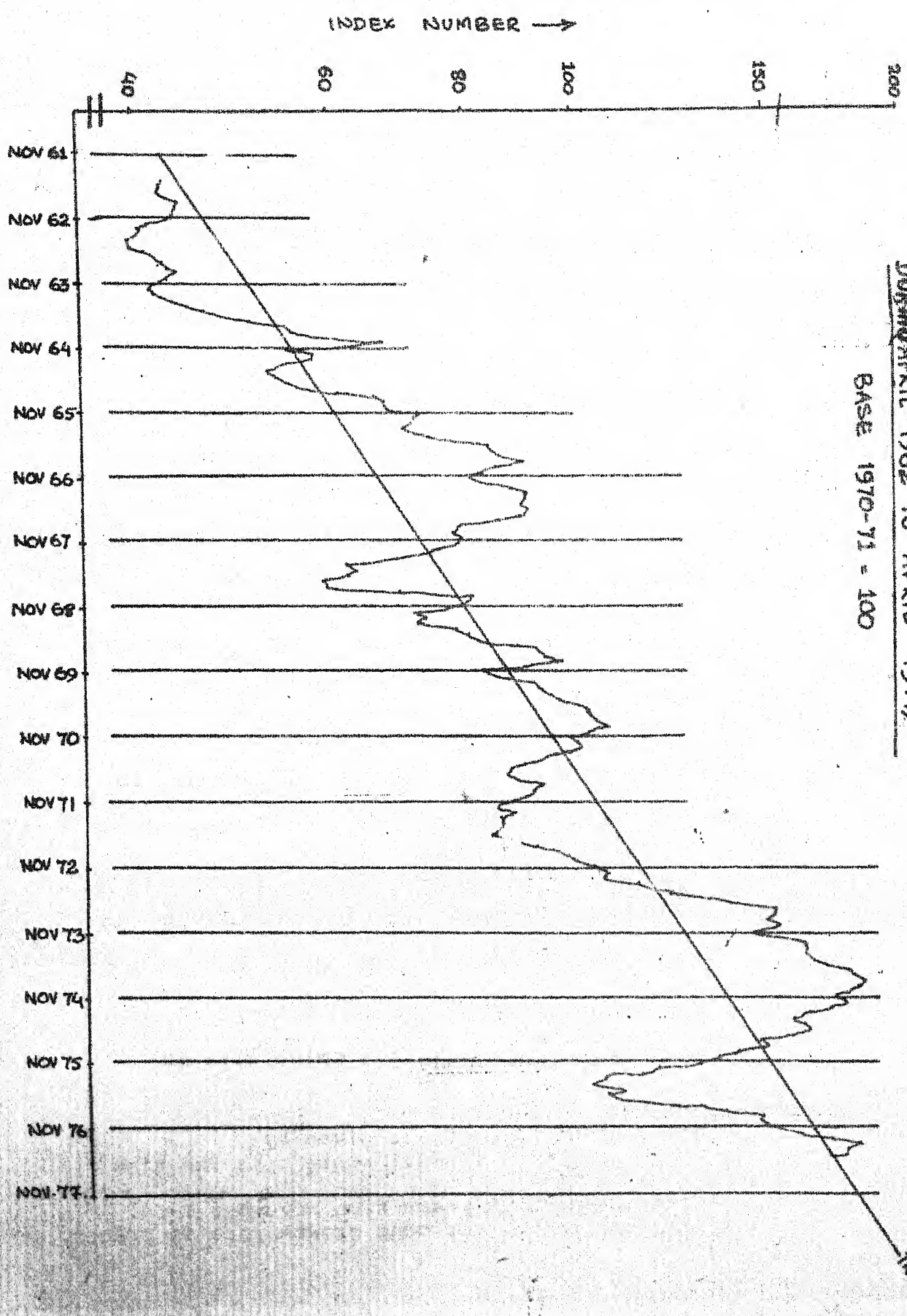


TABLE - XIV

Showing Index Numbers of Wholesale Prices

(Base 1970-71 = 100)

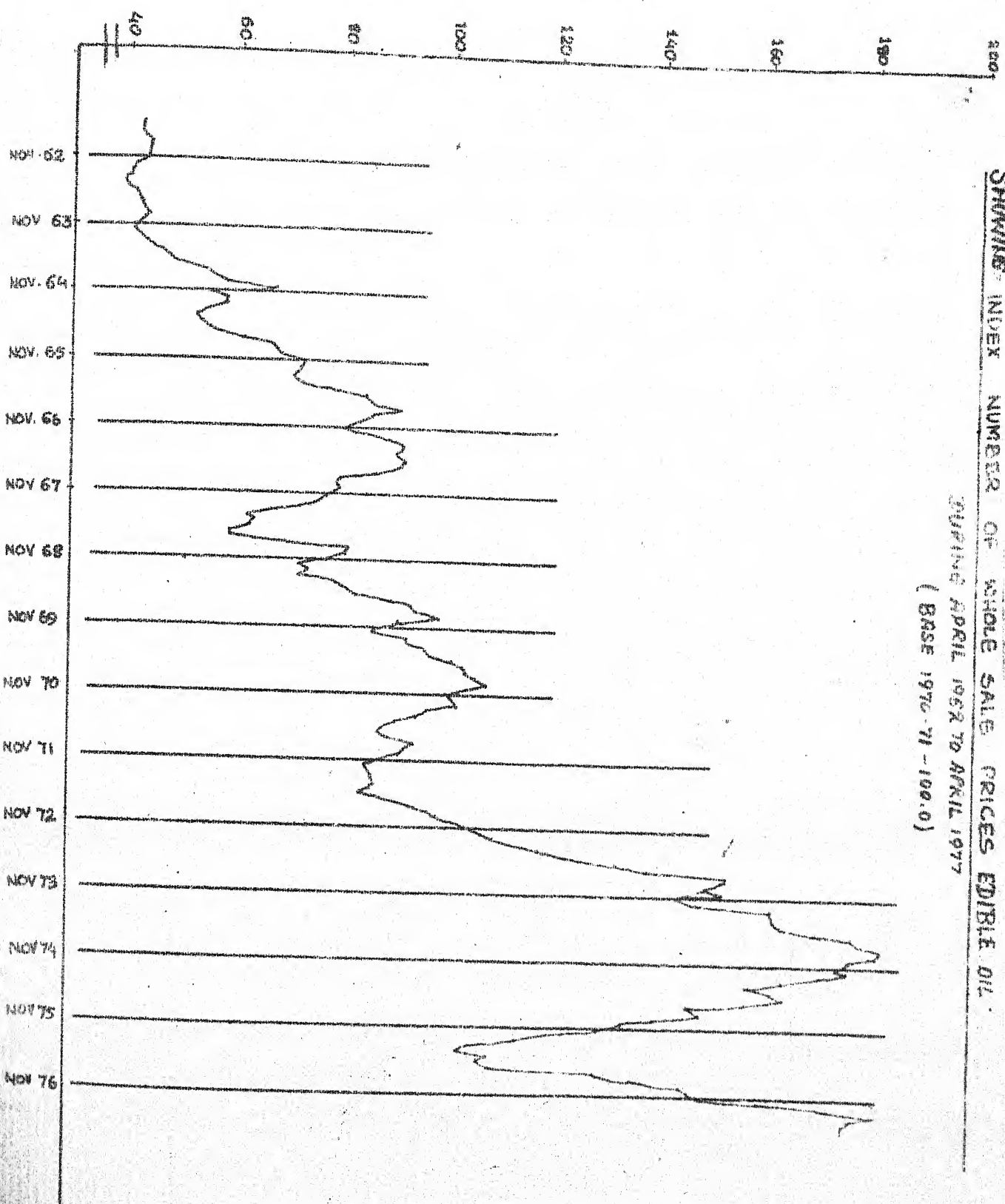
Sl. No.	Months	61-62	62-63	63-64	64-65	65-66	66-67	67-68	68-69	69-70	70-71	71-72	72-73	73-74	74-75	75-76	76-	
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.	November	-	43.4	41.6	54.6	72.5	79.8	78.0	76.7	82.3	99.3	86.5	103.8	144.0	173.7	129.0	113.0	
2.	December	-	41.0	41.2	58.0	71.8	82.2	75.7	71.5	85.4	100.6	84.6	106.5	147.5	175.8	118.3	159.4	
3.	January	-	40.3	41.8	57.9	71.2	87.8	73.3	73.2	91.9	101.4	87.3	108.9	161.3	170.5	113.0	190.3	
4.	February	-	40.3	43.2	54.3	70.1	90.9	67.2	72.0	92.8	95.8	85.3	114.4	161.5	163.8	104.8	181.3	
5.	March	-	39.4	44.5	52.4	71.9	90.2	62.0	78.5	95.4	94.1	85.9	117.3	161.8	157.1	102.4	176.2	
6.	April	42.3	39.6	46.2	53.4	76.3	89.6	63.3	80.2	96.2	89.7	85.2	121.6	163.4	161.8	108.6	175.0	
7.	May	42.2	41.0	48.0	54.8	83.7	91.1	62.3	81.9	100.1	87.1	83.2	132.1	169.4	163.8	106.1	-	
8.	June	42.1	41.8	50.8	56.0	84.6	90.3	59.0	88.9	102.7	86.7	87.3	138.3	176.4	156.9	108.8	-	
9.	July	42.7	42.2	54.4	61.1	85.9	85.5	59.3	92.8	103.4	88.4	92.7	152.7	178.6	145.5	128.8	-	
10.	August	43.9	42.6	55.4	66.3	90.2	79.0	69.4	93.6	104.9	93.2	95.5	152.2	182.2	148.5	135.5	-	
11.	September	43.6	43.4	58.0	67.1	84.9	73.3	80.3	97.5	107.1	91.5	98.0	149.2	181.4	139.9	144.8	-	
12.	October	43.3	42.7	67.0	67.9	82.6	78.9	80.1	90.2	103.2	90.2	100.2	152.3	176.0	133.7	146.7	-	

edible oils has to be seen as a part of general inflationary trends in the Indian economy. If the general price index has an upward thrust the edible oil price index cannot remain stable. During the period of the study for edible oils, the Wholesale Price Index has moved from 100.0 in 1960-61 to 314.3 in 1974-75. Thirdly, as the expenditure elasticity of demand for edible oils is near unity it is but natural that any rise in per capita income would raise the demand for edible oils in the economy. The per capita income, during 1960-61 and 1975-76 witnessed an increase from Rs.305.6 to Rs.1004.9 (at current prices) and Rs.365.9 at 1960-61 prices. Fourthly, though it is yet to be universally agreed that the degree of disparities in India has widened during the last 15 years, the fact remains that the existence of inflationary situation by itself has an element of consequences which furthered disparities in the economy. As a result of this, one suspects, there would be a larger pressure on demand for the edible oils. Fifthly, as we have observed that per capita consumption of edible oils is relatively higher in urban areas and lower in rural areas, the shift in population, from rural to urban, would naturally add to the magnitude of the overall demand for edible oils. And lastly, one may

refer to the impact of increasing demand on edible oils in India from the manufacturing sector. For instance, Vanaspati manufacturing units alone have stepped up their consumption in a significant manner during the last 15 years. The combined effect of these, we believe, could only result in a higher rate of increase in demand than the corresponding increase in overall availability of edible oils in India. As mentioned earlier (para 6) the average rate of increase in oil seed production in India has been nearly two per cent per annum. The emerging imbalance between the demand and supply of edible oils is obvious. This phenomenon has its roots over a much longer period than what may seem to be the case if one views the problem with reference to a year or two.

Cyclical and Seasonal Price Fluctuations 5. Another feature of the price trends, as witnessed over the last 15 years, is the existence of cyclical fluctuations. The period can be seen to have experienced three clear cycles, alongwith the upward secular trend. There are three peaks and three troughs. The cyclical behaviour may have its roots in a number of factors. We feel that to some extent the cyclical behaviour of the price of an agricultural product is a product of seasonal fluctuations - which too are quite evident in the case of oil seed crops in India. Further, we have reason to

INDEX NUMBER →



SHOWING INDEX NUMBER OF WHOLE SALE PRICES EDIBLE OIL
 DURING APRIL 1962 TO APRIL 1977
 (BASE 1970-71-100.0)

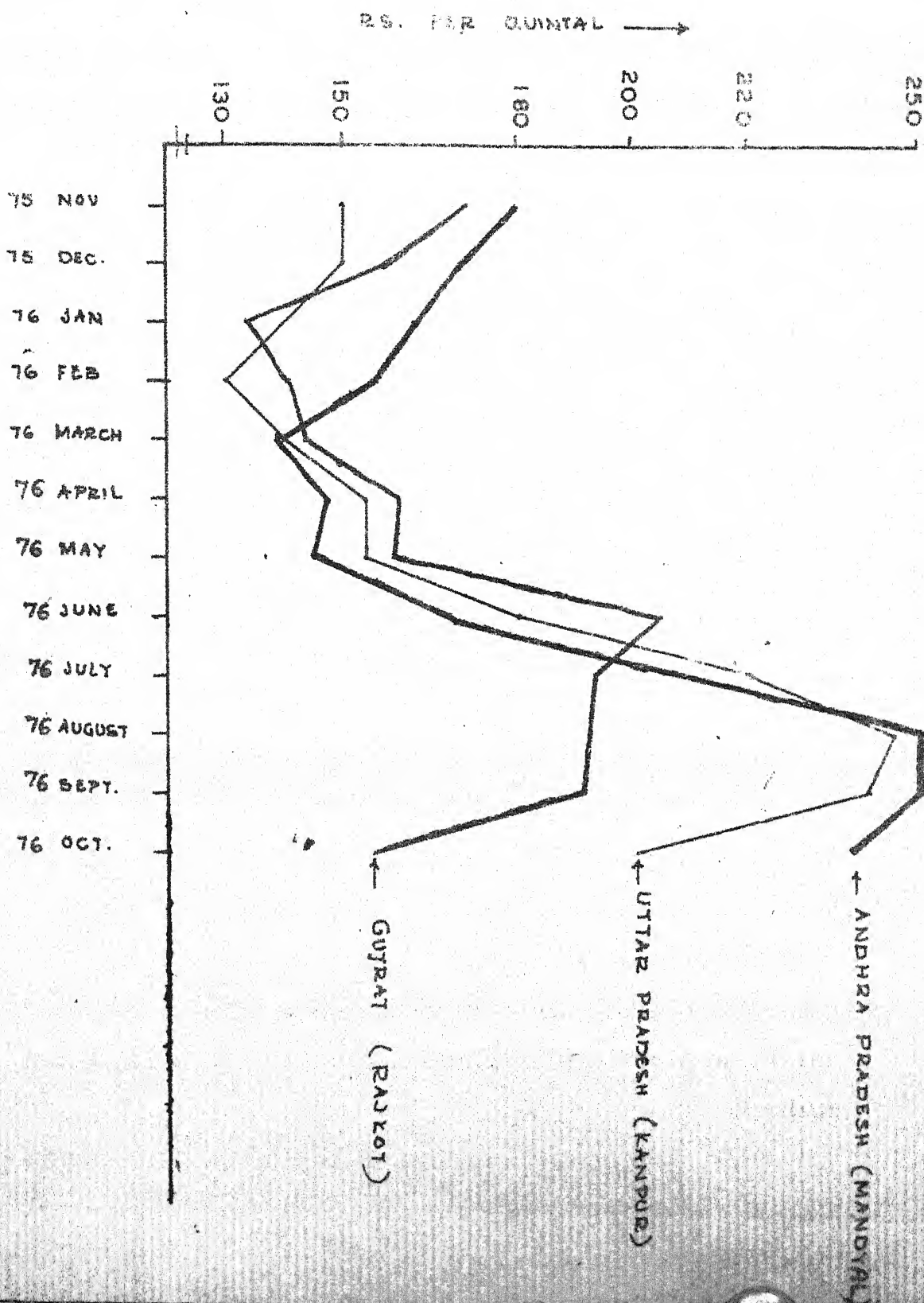
79-10316 26.12.79

believe that cyclical behaviour is strengthened by the very nature of the commodity being non-perishable and amenable to storage. Added to these reasons are factors like changes in world production, government policies for exports and imports, and above all the speculative activities of the edible oil trading community Chart-D shows the movement of Price Index (monthly) over April 1962 to April 1977. If one observes the pattern of price movements within each year, one finds that the degree and pattern of fluctuations is not uniform for all the years. However, the prices of edible oils, do reach the lowest, after the harvest period (December-January) in most of the years.

Price Spread:
Spatial

16. With regard to prices of edible oils/oil seeds one also observes the existence of wide price margins between different market centres of the country on the same day. For instance, the price for groundnut shells was noted as higher in Andhra (Mandyal) for a number of months during 1976 as compared to that of Gujarat (Rajkot). See Chart-E for comparative prices during November 1975 to November 1976 (See Appendix-B). The prices at different centres, however, directionally do move in sympathy. The regional price differences may be due to differences in quality, market imperfections,

Figure 1
SHOWING DIFFERENCE IN PRICES OF GROUNDNUT (NOT SMOIL)
AT THREE CENTERS.



- (35) -

restrictions imposed on movements of the product from one state to another or because of speculative interventions in the markets.

Price Spread: 17.

Wholesale

Retail

Existence of differences in wholesale and retail prices is nothing abnormal. However, for a commodity which experiences violent price fluctuations due to one or the other reason, the gap between retail and wholesale prices tends to become larger. Retailers jack up prices in advance. On the other hand, during periods when wholesale prices move downward, retailers adopt a tendency to delay reduction in prices. It is only under stable price conditions that retail margins remain within reasonable limits. The impact of price fluctuations is the worst for consumers -- they pay higher prices when wholesale prices are rising and they benefit partially and belatedly from the fall in wholesale prices. The existence of this phenomenon can be seen with regard to edible oil prices. See Table-XV and Charts F and G. The facts given in the Table can in no way be taken as representative since the wholesale and retail prices are for Kanpur and Bombay which are urban, industrial and trade centres. The retailers' margin would be expected to be higher in rural and those other areas which do not have regulated markets

TABLE - XV

Showing Retail and Wholesale Prices of
Mustard Oil (Kanpur) and Groundnut Oil
(Bombay) During February 1976 and
May 1977.

Sl. No.	Year/ Month	(Rs./quintal)			
		Mustard Oil (Kanpur)		Groundnut Oil (Bombay)	
		Retail	Wholesale	Retail	Wholesale
	1	2	3	4	5
<u>1976</u>					
1.	February	470.00	440.00	440.00	387.50
2.	March	465.00	445.00	480.00	432.50
3.	April	515.00	490.00	490.00	453.50
4.	May	500.00	490.00	475.00	423.00
5.	June	600.00	585.00	570.00	515.00
6.	July	620.00	600.00	650.00	617.50
7.	August	600.00	585.00	690.00	640.00
8.	September	615.00	490.00	690.00	640.00
9.	October	NQ	700.00	690.00	640.00
10.	November	380.00	830.00	NQ	640.00
11.	December	NA	NA	NA	NA
<u>1977</u>					
12.	January	950.00	830.00	NQ	740.00
13.	February	1060.00	1020.00	NQ	900.00
14.	March	1050.00	925.00	860.00	767.00
15.	April	1000.00	950.00	970.00	920.00
16.	May	1000.00	1050.00	1020.00	950.00

NQ : Not quoted

NA : Not Available

(Source: Agricultural Situation in India).

CHART-F.

SHOWING PRICE DIFFERENCE BETWEEN WHOLESALE AND RETAIL PRICES
OF GROUND NUT OIL AT BOMBAY

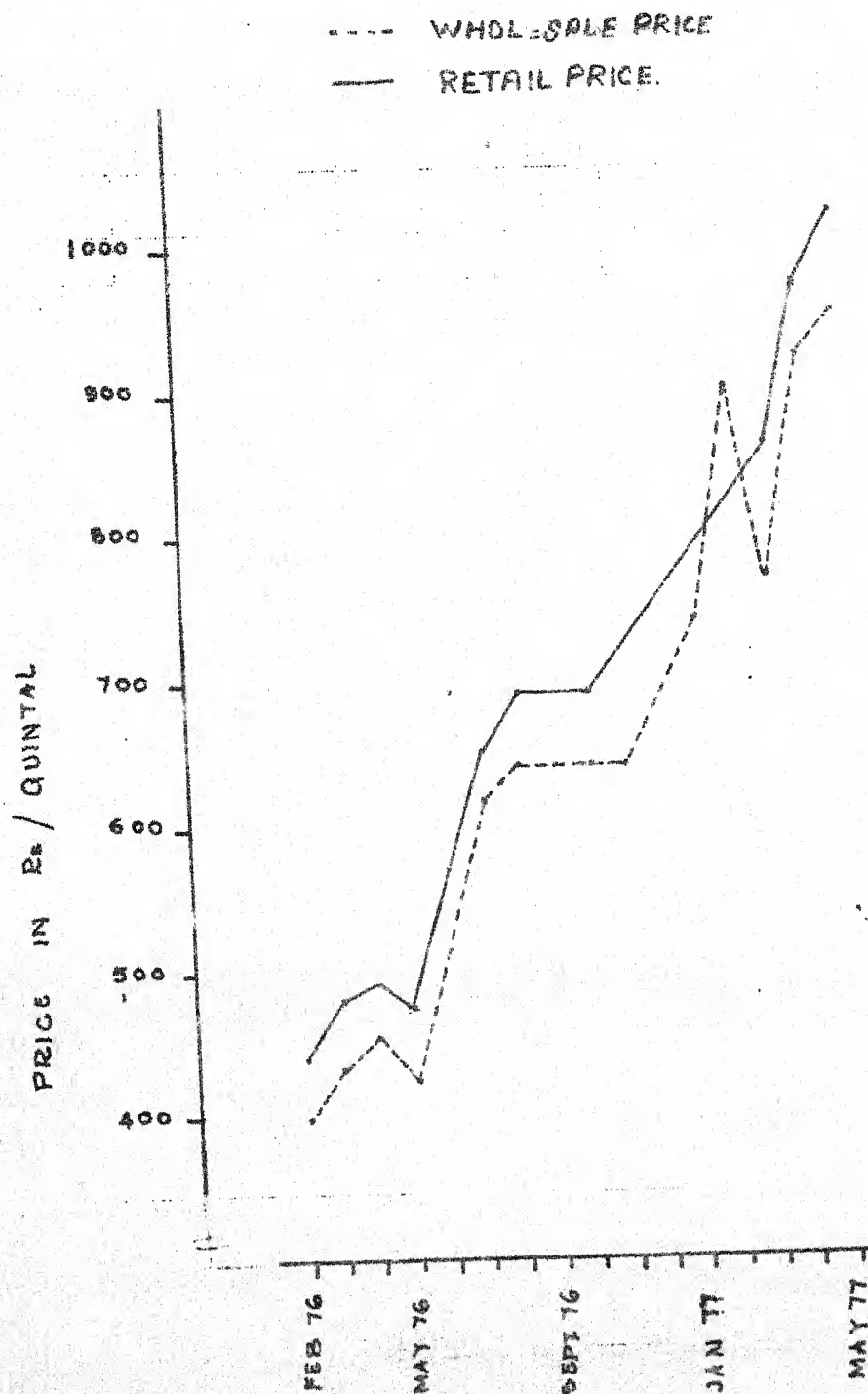
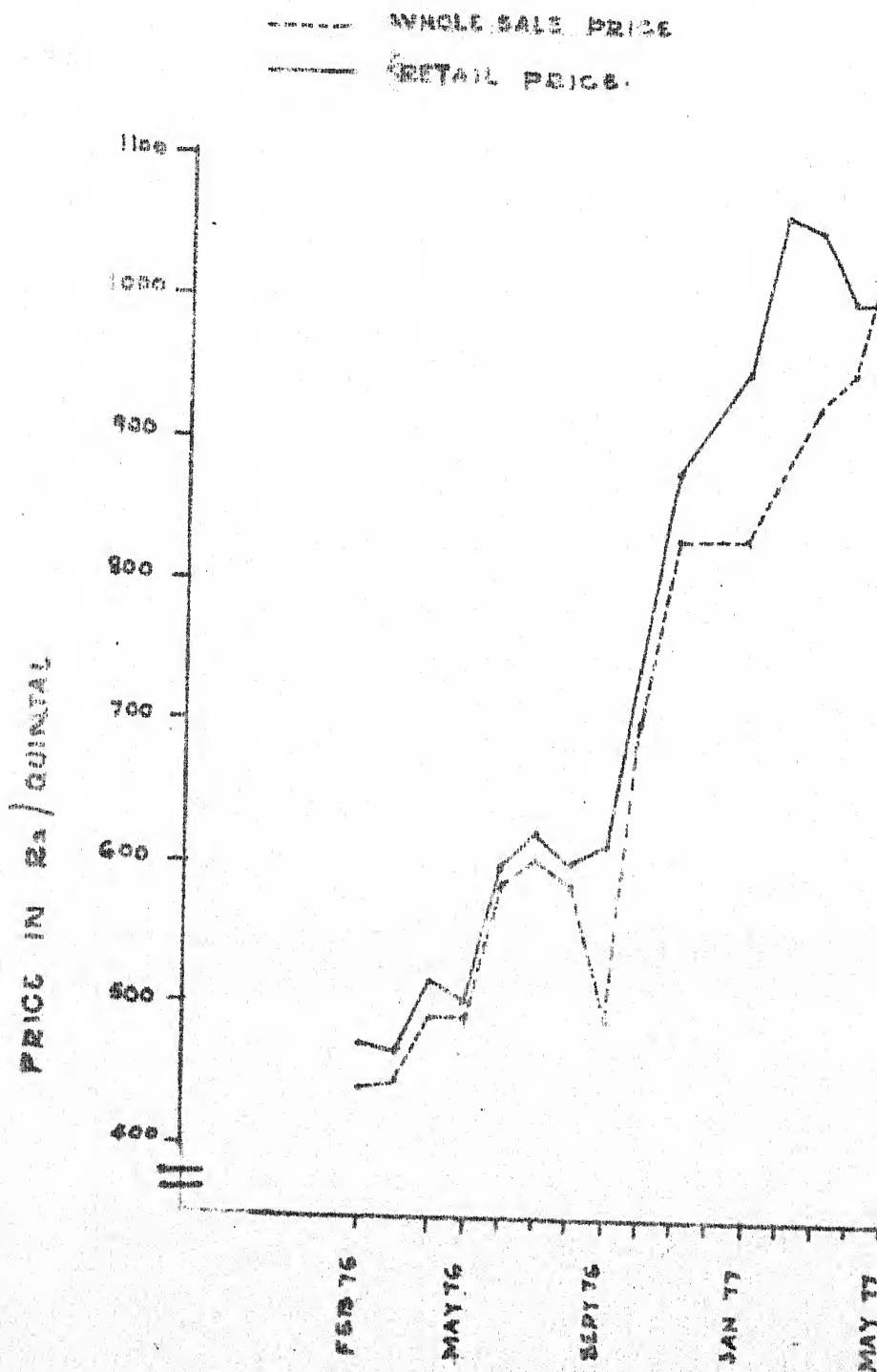


CHART-G.
SHOWING PRICE DIFFERENCE BETWEEN WHOLE SALE
PRICE AND RETAIL PRICE OF MUSTARD OIL AT KANPUR.



Speculation in 18. We have already made an attempt to throw light
Oil seeds & Oil

on some of the important characteristics of the edible oil economy of India but the picture would be incomplete if one does not mention that edible oil trade is highly infected by speculative activities. The fluctuations in prices are of varied and violent character. The prices of edible oils do not always move according to actual market arrivals or in response to harvest and lean seasons. The prices are considerably affected by the speculative and inventory activities of the traders, large farmers, and the crushing units. The speculation activity has to be seen in the light of the following uncertainties about the supplies of edible oils and oil seeds in India.

Firstly, we have seen that oil seeds output in a year is considerably influenced by the level of rainfall in the oil seed producing States. This is to be seen along with the fact that oil seed crops are primarily raised on un-irrigated farms. The percentage of oil seed crop area with assured irrigation constitutes only one eleventh of the total area under the crop. In the case of groundnut crop, it is well known that productivity of the crop is closely related to moisture content of the soil during certain specific periods over its life cycle. If the rains fail to arrive during the critical period, it has

serious effect on the output. Additionally, as the oil seed production is not spread over the country as a whole, the level of production in a year gets related to rains in a few States. A wider dispersal of the area could reduce the element of uncertainty of output.

Secondly, oil seed and Vegetable oils are internationally traded commodities. India has been, for long, a participant in the trade. Exports from India are encouraged if internal prices tend to crash and restrictions are placed on exports during edible oil scarcity. At what point would the Government decide to import or allow exports and under what conditions remain uncertain for the oil trade. It is also well known that oil prices in the international markets have not shown stable behaviour over time. To the extent India trades in edible oil with the rest of the world, it is but natural that the Indian prices would get related to the price uncertainties of the international edible oil markets.

Thirdly, the Indian experience suggests that oil producing States have been taking decisions to intervene in order to regulate prices of edible oils from time to time. The decisions of the State Governments have been quite erratic. For instance, Gujarat Government

introduced restrictions on movements of groundnut and groundnut oil in July 1964 but these were withdrawn in November 1964. In later years too the Government has intervened in one or the other manner having direct effect on prices. In some years a levy is imposed on oil extracting units; in others, procurement price for groundnuts is fixed and in certain periods the Government takes up the responsibility of distribution of the oil through fair price shops. The nature and timing of State Governments' interventions in the major oil producing States cannot but affect prices in the rest of the country.

Fourthly, one has to keep in mind that the Reserve Bank of India's policy with regard to credit is also subject to changes from one season to another. The effect of credit squeeze through variations in margins can be quite significant. And lastly, one may mention that demand for indigenous edible oils can get significantly affected by administrative restrictions imposed on Vanaspati manufacturers to desist from using indigenous oils and to make them depend more on the imported quantities. Similarly, because of the mutually substitute nature of the edible oils, a shortfall in one type of oil seeds, leaves its impact on the prices of other oils.

The Vanaspati manufacturers and other industrial users are known to vary their raw material composition to take full advantage of the movements of relative prices.

19. We have mentioned some of the important reasons which add to price fluctuations of edible oils in India. This is not an exhaustive account. However, because of the large fluctuations in prices, it would be legitimate for the genuine manufacturers' to indulge in forward market operations to reduce risk of loss arising out of a sudden change in prices. Given the fluctuating prices and uncertainties of edible oils trade, it is also a very inviting area for speculators. The forward marketing in oil seeds is not always a legal activity. Yet one finds de facto a large extent of speculation in oil seeds. This fact is well underlined by the number of illegal cases observed by the Forward Marketing Commission in India.

Summing Up

20. On various counts the edible oil economy of India presents a picture of instability. The compound annual growth rate of oil seed output has been low. As against the erratic and sluggish growth in output, the demand has been steadily on the increase. India's participation in the world edible oil trade, speculative trade behaviour

and uncertainties concerning the nature, timing and effectiveness of public intervention devoid of an overall perspective, have given further fillip to the erratic price behaviour of edible oils. The consumers and the growers suffer while the traders (including bigger farmers and processors) harvest huge margins.

CHAPTER II

THE DECISION

CHAPTER - II

1. On January 17, 1977, the Government of India (Ministry of Commerce) announced their decision to (i) decanalize import of three oil seeds and edible oils (viz; Soyabean, Copra and Palm oil); and (ii) allow duty free imports of six edible oils and oil seeds (viz; groundnut, sunflower, soyabean, coconut, rapeseed and palm oil) through private parties. The import licences were to be issued freely as the imports were being allowed under "Open General Licence". The imports were, however, wholly meant for direct human consumption and diversions to manufacture of vanaspati or other industrial uses were prohibited. Applications for grant of licences were to be entertained from units engaged in manufacturing, refining or blending or marketing of edible oils.

Administrative Arrangements for Issue of Licences on a Free Basis:

2. The applications were to be made, according to the Public Notice, on Form B or B-1, which are specified for obtaining import licences by Actual Users in the sector. However, the Licensing instructions (confidential) were to issue licences:

- (i) on top priority;
- (ii) without any scrutiny in regard to consumption or capacity;
- (iii) with no value limit; and

- (iv) without raising any objection on "flimsy grounds" (the expression remaining unclarified but probably understood in official circles).

In order to ensure that licences were issued expeditiously, the Regional Licensing Authorities were directed to submit weekly report indicating the progress at issue of licences to the CCI&E. It was emphasized that applications should be accepted for issue of licences even if these were not made on the prescribed forms. The only condition to be insisted upon was the payment of fee -- which in any case was nominal. The validity period of the import licences was to be one year.

Subsequent
Modifications:

3. The Public Notice of January 17, 1977, was elaborated, clarified or amended through a number of subsequent Public Notices and Circulars.⁽¹⁾ The first clarification was within a week (on January 24, 1977) explaining that 'Palm Oil' would also include 'Palm Oleine'. There was further clarification (Public Notice of June 23, 1977) that 'Palm Oil' would also cover 'Palm Kernel Oil'. Similarly, on July 13, 1977, an announcement was made that coconut oil of 'white' variety and not yellow variety will be allowed.

(1) Ten Public Notices were issued during January 17 and October 11, 1977. It is understood that equal number of instructions were sent to the Regional Authorities.

/uses will
be eligible
for

While the January 17, 1977 Public Notice stated that "this facility of import of edible oils and oil seeds is not available for Vanaspathi industry". It was clarified in the January 24, 1977, Public Notice that Vanaspathi Units which are also engaged in refining and blending and/or marketing of edible oils for direct/import of edible oils. On August 20, 1977, another Public Notice withdrew the ban on yellow variety. It was announced that coconut oil of white variety shall mean only coconut oil which conforms to the Prevention of Food Adulteration Rules. There were also a number of other amendments, clarifications and changes in policy with regard to the initial decision of January 17, 1977. One of the most striking feature of the internal circulars issued is that these do not seem to be responded, as per expectations, either by the Regional offices or by the licencees. There appears to be poor follow up. Repeated requests for information on implementation status of the import licenses issued yielded poor results.

Importance of
the Decision:

4. By all standards, the decision of January 17, 1977, was an important one. For instance, the CCI&E was asked to issue import licences on 'Top Priority' basis and ignore all formalities and drastically cut down procedural

formalities. (2) The decision reflects a great deal of urgency. Secondly, the decanalization of three oils was a reversal of the earlier policy, having implications for the programmes of the State Trading Corporation. Thirdly, the decision to allow duty free imports, without placing any value limits could imply a foreign exchange commitment of hundreds of crores of rupees in a year. Given the fact that it was an important decision, it is only natural to expect that the decision must have been made after careful examination of the situation and awareness of the likely short and long-term socio-economic, financial and administrative implications.

5. We made several attempts to collect information and related official background papers in the Ministry of Commerce and Civil Supplies with regard to the decision of the U. S. January 17, 1977. During our informal discussions we were told that, 'probably', there was a high level meeting on January 13, 1977, in which the decision was taken to direct the Chief Controller of Imports and Exports to place edible oils under the category of OGL (Open General Licence). We could not obtain the relevant papers on the subject. In the following paragraphs, we attempt, of our own, to capture the situation in which the decision was made. This is how, probably, the edible oil picture could have looked like

(2) One of the confidential circulars to the Regional Authorities was (i) not to insist on the application being made on the prescribed form (B-I) and consider applications made on plain paper. There was to be no

in the beginning of the year.

Background to
the Decision:
Steep Price
Rise

6. Under the period of Emergency, starting with June 1975, it was a Government claim that, as a result of the stringent measures taken against hoarders, traders and black marketeers, the prices of essential commodities were drastically brought down. In this regard Vanaspati and edible oil prices had, undoubtedly, witnessed steep decline by early 1976. Price of groundnut oil (Bombay) in February 1976 had fallen to nearly half of the prices of January 1975. The same was the case with the All India Price index. The same was the case with Vanaspati. In sharp contrast to the above mentioned trend ruling over a year, prices of edible oils and Vanaspati started rising in a steep manner from July 1976. Price Index of groundnut oil (Bombay) with January 1975 as base (100.0) which had fallen to 49.05 in February 1976, rose to the level of 87.78 in December 1976. Price Index of Vanaspati (Panghat at Delhi), similarly, rose in less than a year from 56.85 (February 1976) to 87.57 (December 1976), i.e., a rise of nearly 54 per cent in 10 months. See Table 16 and Chart H. In brief, the Government had to face the stark reality of a steep and continued rise in prices of edible oils against the much publicized 'achievements under Emergency'. This posed, understandably, a big challenge to the then Government. from pre page- questioning as these could be described as 'flimsy grounds'. Indeed, the efficiency of the Licensing Authorities was to be judged on the basis of the number of licences issued.

CHART-H.

SHOWING MONTHLY PRICE INDEX OF GROUNDNUT OIL
AND VANASPATI DURING JAN 1975 TO DEC 1976
BASE: JAN. 1975 = 100

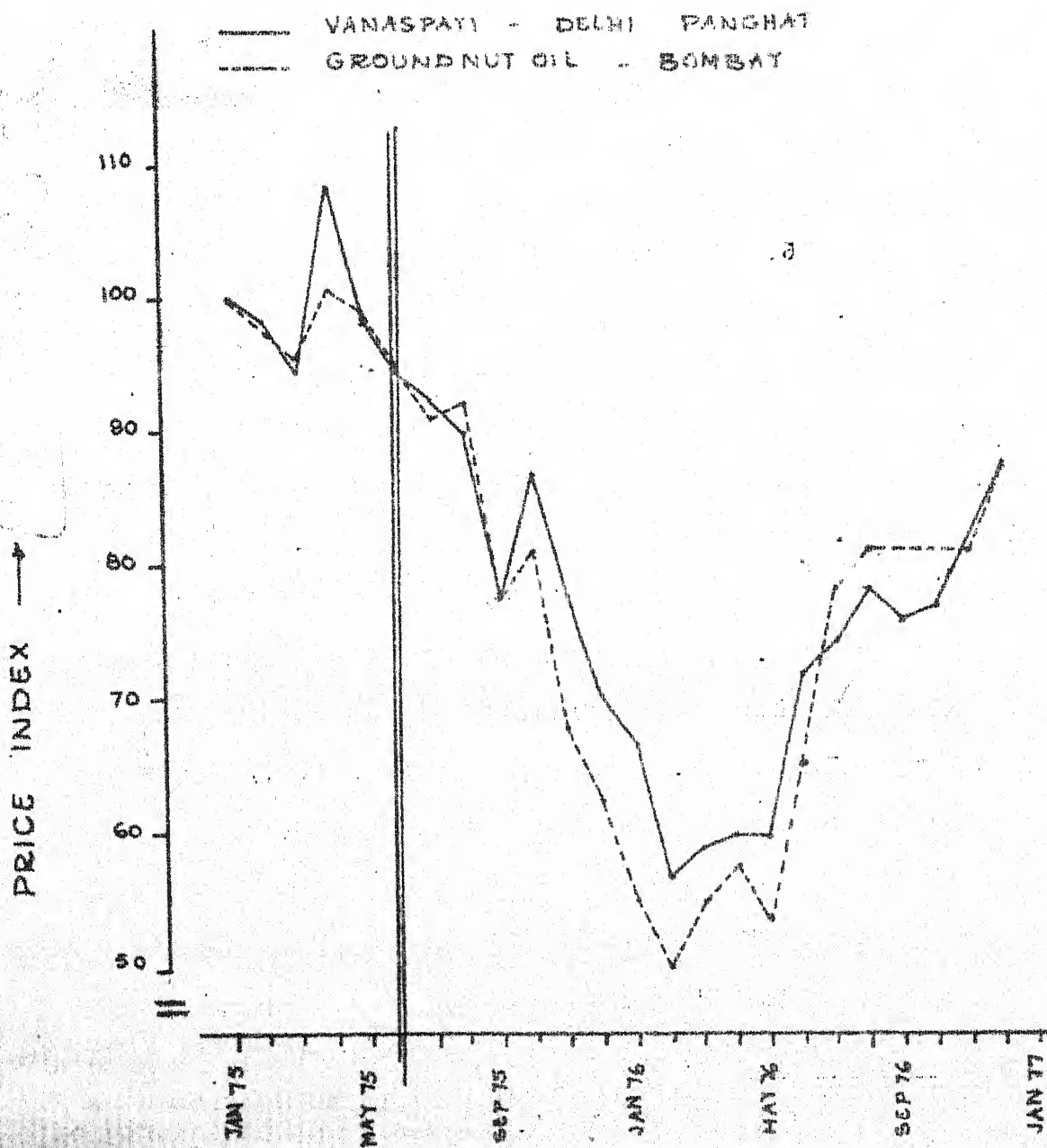


TABLE-XVI

Showing Movement of Price Indicis of Groundnut
Oil (Bombay) and Panghat (Delhi) During 1975 & 1976

(Base January 1975 = =00)

Sl. No.	Year/Months	Groundnut Oil (Bombay)	Panghat (Delhi)
	1	2	3
<u>1975</u>			
1.	January	100.00	100.00
2.	February	97.72	98.16
3.	March	95.57	94.49
4.	April	100.63	108.40
5.	May	99.05	98.50
6.	June	94.94	94.69
7.	July	91.14	92.35
8.	August	92.09	89.91
9.	September	77.85	77.66
10.	October	81.05	86.84
11.	November	67.72	77.66
12.	December	62.34	70.26
<u>1976</u>			
1.	January	55.06	66.65
2.	February	49.05	56.85
3.	March	54.75	58.84
4.	April	57.41	59.97
5.	May	53.54	59.76
6.	June	65.19	72.61
7.	July	78.16	74.19
8.	August	81.01	78.16
9.	September	81.01	75.82
10.	October	81.01	76.93
11.	November	81.01	81.39
12.	December	87.78	87.57

(Source: INDIA: (Ministry of Agriculture and Irrigation)
Bulletin On Food Statistics, 1977, pp.162-63).

Domestic
Supplies:

7. There was need to augment supplies of edible oil to restrict the upward thrust in edible oil prices. As regards domestic production the prospects did not appear to be bright. Traders in edible oils had expectations of a poor supply for 1976. In the case of groundnut crop, it was already known that market arrivals of groundnut during October-December 1976 were lower than the corresponding period of 1975. The market arrivals in the first quarter after the start of the season were lower by 9.4 per cent. (Market arrivals of groundnut stood at 6,50,000 thousand tonnes during October-December 1976, vis-a-vis 7,20,500 thousand tonnes of October-December 1975).

Need for
Imports:

8. If it was accepted that the prices of edible oils had to be lowered and the prospects of indigenous supplies were not bright and that without quick and sizeable increase in supplies the prices could not be brought down, then the options open to the Government were limited. The only course open to Government was to adopt a policy for allowing large scale imports of edible oils.

International
Prices:

9. Unlike so many other crops as also the situation in earlier periods, international prices of important edible oils were far lower than the prevailing wholesale prices in India. Thus, imports of rapeseed, soyabean,

coconut and groundnut oil could be profitable for the importers. There was no question of subsidy to make oil available at lower prices. The margin of profit, for imports as seen in January 1977, was rather attractive. For rapeseed/mustard, the international prices (as paid by State Trading Corporation) were ₹ 561 per tonne c.i.f.. The prevailing price was Rs. 8,300 per tonne (Kanpur) in January 1977. If one converts dollar into rupees @ one dollar equal to Rs. 8.50, the import price would be Rs.4,768 per tonne. This left a margin of Rs.3,631.5 per tonne. The price differences for other edible oils were also quite attractive.

Past Public Interventions:

10. During the early part of 1976 the prices of groundnut had come down sharply. The Government was concerned about this and had taken measures to see that prices do not crash further, which could result in considerable misery to the groundnut producers, shrink area under groundnut crop and end up in lower supplies of edible oils in the following year. To hold prices, the State Trading Corporation undertook purchases of groundnut oil for purposes of export. The Government also announced price support policy for groundnut and sunflower seeds. From July 1976 the prices started shooting up. To remedy the situation, exports of groundnut and groundnut oil were banned; the consumption level for

groundnut oil by vanaspati manufacturers was sought to be reduced by raising the minimum level of consumption of soyabean oil. Initially, the minimum level of consumption of imported oils was raised from 10 to 20 per cent. Within 15 days this limit was raised to 50 per cent in July 1976. As the situation continued to worsen the vanaspati manufacturers were directed to reduce use of indigenous vegetable oils to the level of 10 per cent. Provision of the necessary imported edible oil to the vanaspati units was made the responsibility of the State Trading Corporation. One would see that the STC had to reverse its role within a short period - from an exporter to an importer of edible oils. The STC was given a target of 6.00 lakh MT of imports during November 1976 - October 1977. The STC was probably not able to handle larger imports than the target fixed. In any case, the storage capacity with the STC was only 1.36 lakh MTs. It was a fact that the vanaspati manufacturers were not lifting their allocated quotas. This implied that the STC's capacity to import was further restricted. In brief, Government took a variety of administrative decisions to control prices, but it could not curb the rising price of edible oils.

The Role of
the S.T.C.

11. The STC was mainly an importer of soyabean oil. Out of 5.80 lakh MTs of imports, the soyabean oil was 4.16 lakh

MTs; Rapeseed oil 1.01 lakh MTs; and Palm oil only 0.64 lakh MTs. The STC was also to handle 50,000 MTs of soyabean oil under PL-480. In India, due to consumption habits, soyabean oil does not find much acceptability for direct consumption. Even the vanaspati manufacturers prefer indigenous groundnut to soyabean oil as free fatty substances constitute a higher percentage in soyabean and imported rapeseed oil as compared to groundnut oil. It is understood that consumption of hydrogen, in the process of vanaspati manufacture, is far higher when soyabean or imported rapeseed oil is used as the base. This escalates the conversion costs. In the face of these facts, it is no surprise that vanaspati manufacturers have violated Government directives and have used higher percentage of groundnut in vanaspati manufacture than that determined by the Government. The Economic Survey (1977) accepted the fact that "the use of groundnut oil shot up to more than 45 per cent as against the level of 24 per cent". The relatively poor cotton crop during 1975-76, resulting in lower quantities of cottonseed oil made the situation worse. The STC had not built any network for oil distribution and it was primarily concerned with handling of imports and not internal marketing. It was, probably, because of these facts that the STC could not be seen as an agency to import edible oils in a massive attempt to control internal prices.

Gujarat's Role:12. As pointed out in Chapter-I of this report, the edible oil supplies in India originate in a few States; the single most important source being Gujarat for supplies of groundnut and groundnut oil. In sympathy with the rising trend in prices of edible oil in the rest of the country, prices of groundnut oil witnessed a sharp increase in Gujarat. This was a matter of concern for the local population which felt aggrieved that the consumers in Gujarat were made to suffer and all the available oil was being sucked off by the rich pockets (cities like Bombay) of the country. The concern of the State Government was natural. To meet the situation, contrary to Central Government decision, Gujarat placed informal restrictions on export of edible oil from the State. The curtailment of the supplies from the most important oil seed producing State could only help worsen the already existing pressure on the prices of edible oils.

Foreign Exchange13. While examining policy options to control internal prices of edible oils, as one faced the problem in January 1977, one must take note of the fact that the foreign exchange situation for the country was not what it used to be for over two decades. Since 1975-76, India's foreign exchange reserves had taken a turn for the better. There was a net increase of India's foreign exchange reserves

Position:

Ne
Ir

Ir
Pr

by Rs. 674.1 crores in 1975-76. In January 1977, it was also obvious that India would add up another Rs. 1500.00 crores or so to the foreign exchange reserves. Thus, foreign exchange could not have appeared to be a constraint on the policy of going in for imports of edible oils.

General Elections:

14. The decision to import edible oils on top priority basis and to use the potential of private trade to bring down the prices of edible oils has also to be seen in the context of the Government decision to declare holding of General Elections in March 1977. We do not have the necessary information to cross check if the two decisions, namely, (i) to allow imports of edible oils under Open General Licence, and (ii) hold General Elections in March 1977 were interrelated or not. It may, however, be mentioned that the Public Notice to place edible oils on OGL was dated the 17th January, 1977, and the decision to hold General Elections was announced on the 19th January 1977.

Assessment of the Decision:

15. The need for Government intervention to curb the rising prices is indisputable, more particularly for goods of mass consumption like edible oils. It is also not for us to comment on the timing of the decision and the considerations which prompted the Government to opt for imports. We, however, are analysing in the following the decision

to import, through private sector, edible oil on a big scale by placing it on the OGL and its implications.

Hazards of
Sudden, big
Imports: Need
for a Cautious
Approach

16. It is true that in January 1977, when the decision to import large quantities of edible oils was taken, edible oil prices in international markets were lower than the Indian prices. There is, however, abundant accumulated market information to underline that whenever one or more countries enter suddenly and in a big way the international market for obtaining spot deliveries, price of the commodity demanded witnesses a steep rise. India also had such experiences in the past with regard to wheat purchases. The phenomenon is well known. Countries keen on importing large quantities attempt to strike large deals with lightening speed in an attempt to forestall possibilities of having to pay higher prices for later purchases. Another method of circumventing the situation is seen in signing direct supply agreements with producer countries. It is, therefore, our opinion that if Government was desirous of obtaining large supplies it should have gone about in a systematic manner. For instance, the State Trading Corporation could have been advised to settle bargains in a non-conspicuous manner. Issuance of Public Notice to allow unlimited duty free imports of edible oils through large many buyers, who were bound to act in an un-coordinated manner with

desperate desire to strike bargains at all important international edible oil markets, could only make the world prices react as these indeed did. It may be true that the international prices were already rising, as suggested in many quarters, as a result of purchases by the USSR and China. But India's entry into the market in a big way could not but have been another important factor in aggravating the price rise. In the past, India has traded in edible oils; however, its magnitude has never been of more than Rs. 30-40 crores spread over a year. In contrast to this, there was a decision of the Government of India which announced unlimited imports - at least worth hundreds of crores of rupees. This was predictably to result in rise in world prices.

Reduction in
Internal and
World Market
Price Differ:

17. In January 1977, the internal prices of edible oil were high vis-a-vis the international ones. This left a margin for the prospective importers. Given such a situation, a decision to import edible oils, without any import duty, was aimed at reduction of edible oil prices in India. What would be the impact of rise in international prices consequent upon the way accompanied by a reduction in internal prices? It is obvious that linking up of internal edible oil market with that of the rest of the world (an unavoidable consequence of allowing unlimited imports of

the oils) would reduce the price differential. The greater the quantity actually imported, the larger ^{likely} likely to be the fall in internal prices. Accompanied by a rising trend in world market prices, the arrival of imported quantities may reduce the internal and world price differential to a marginal level. Would the private import licence holders implement their licences under such conditions? The answer is likely to be 'no'. It is also relevant to keep in mind that the Indian Government did not take any decision to fix minimum prices of edible oils. As a result, the importers could only implement their licences under great risk of financial loss.

Built-in Slow
Utilization:

18. While judging the behaviour of the licensees in going slow at utilization of their licences one has to accept a basic premise that importers would be seen to be acting against their own self interest, by helping to reduce internal prices, through enlarged imported supplies. It may be true that the licensees have a moral obligation to utilize their licences in the national interest. But could a private enterprise take up activities which will not maximize their gains? The licensees will like to choose their own timing and magnitudes of imports, irrespective of the number and value of licences commanded by them.

This manoeuvrability was provided in the conditions of the import licences, i.e. the licences were valid for one full year. Moreover, through multiple licences, they had sliced up the total licensed value into convenient blocks. Infact, it is also doubtful if the Government, at any time, expected the private trade to start implementing the import licences with speed. Probably, the assumption was that the mere fact that a large number of import licences of large value had been issued, would act as a dis-incentive for edible oil traders to jack up prices or indulge in hoarding activities. Thus, it appears, slow utilisation of the licences was a built-in and expected part of the decision to place edible oil on the OGL.

Conditions for 19. The built-in limitations of the OGL system become
Issue of Licen-
ces Worsen the more obvious if one considers the condition of issuance of
Inherent Limi-
tations: import licences. According to the Public Notice of
January 17, 1977, the eligibility for import licences was
restricted to those only who are already in the oil business,
either as manufacturers or as traders. Starting on this
basis, operationally, the 'eligibility' covered 76 vanaspati
manufacturing units (as the importers have to have refining
and blending capacities), the established edible oil
refining units (the total of whom would be not more than
vanaspati manufacturers) and the traders in edible oil.

The total number of these could ^{not} be very large. Let us for the sake of argument assume that there could be thousands of prospective importers. In matter of imports of edible oils, the importers have to have a minimum facility for buying at the world oil exchanges. It is not easy for a small trader to buy abroad without running heavy risks. This would be an important factor to cut down the number of de facto contenders for licences. Secondly, international buying has to be in large quantities. Larger the volume of imports, easier it is to arrange supplies and shipping facilities. In a free for all race, it is but natural that larger units would enjoy a variety of advantages of internal and external economies of scale. Thirdly, edible oil imports by the very nature of their being in liquid form can only be arranged by those who have the requisite storage capacities. This further limits the members of prospective importers in the edible oil trade. Fourthly, as the initial provision under the Public Notice was not clear if imports of refined oil could also be affected, the import licences for edible oil could essentially be taken by the large vanaspati/edible oil processing units - their number being a small one.

Regional
Concentration:

20. A corollary of the fact that oil seeds production is concentrated in few States is that oil traders are

largely concentrated in Gujarat and Maharashtra region with branches for distribution in other parts of the country. It could, therefore, be predicted with certainty that the decision to place edible oils on the OGL would mean that an overwhelming proportion of the licences would be secured by traders and manufacturers' from the Western region.

Absence of Con-
ditions to En-
sure Utiliza-
tion:

21. The licensees had the choice to use or not use the licences. The issue of an import licence did not carry any punitive clause in case of non-use. Unlike the issue of industrial licences, where the licensees are expected to take 'effective steps' within a stipulated period, the import licences are issued without any such provision. Under the IDR Act 1956, the Industrial licence holders are under obligation to furnish some basic information periodically as to the implementation status of their venture. Such conditions were not attached to these import licences in the beginning. In the case of industrial licences a 'letter of intent' is issued to the applicants to enable them to complete initial formalities. There was no such provision in the case of these import licences.

Non-Involvement
of the STC:

22. Non-involvement of the State Trading Corporation (STC) in the import of edible oils was an important

element of the January 1977 decision to go in for massive imports of edible oils. The reasons for non-involvement of STC for importing edible oils appears somewhat unconvincing. Informal inquiries from the STC officials make us believe that the STC had at no time expressed its inability to undertake the responsibility to import edible oils on top priority basis. In all probability, the decision was taken independently without consultations with the STC. As mentioned earlier, the STC had been committed to meet requirements of the Vanaspathi industry. It had for sometime an international network with market intelligence the like of which no private agency possessed. The STC has the personnel who are quite knowledgeable about price trends and shipping problems. The STC had not been importing soyabean oil alone; it had imported substantial quantities of other edible oils too in the past. Further, the STC had a command over storage capacity, located in different parts of the country. In brief, it is not possible to understand why the STC, a public sector undertaking, was kept out of the decision to import edible oils, particularly, when the emphasis was on speedy implementation. Particularly in view of what we have discussed in paragraph 16, planned purchases by a public sector agency could have prevented the world prices from moving against India.

if not fully, at least partially.

23. It is true that the STC has been acting as an agency for imports of oils and has not been in retail trade. It has been a wholesale agency. One should imagine that the STC could, in case of difficult times, undertake atleast limited intervention by entering into internal wholesale market and have immediate effect on the market prices. Moreover, the STC, had it been brought into picture, could have immediately directed a part of its existing stocks meant for Vanaspati units (who were slow in lifting their allotments) to the market for direct human consumption. It would not have, in any case, involved much of change in its functions, especially when the STC has provided, in the past, edible oils (mustard and rapeseed) for direct human consumption to the State Governments. In fact, one does not understand why the STC could not be asked to have the oils refined on contract from the government administered Vanaspati units, like Ganesh Flour Mill or private parties.

Storage
Problem:

24. There could be a question of limited storage capacity with the STC. But here again one has to think of a national problem being solved in a national perspective. In the case of storage capacity, what should be seen is the

total capacity available in the country and not how much is available with the private or the public sectors separately. Un-utilized capacities of the private sector could be hired or requisitioned by the Government to meet this problem. Secondly, it would be quite pertinent to ask as to what size of storage capacity was indeed needed to meet the shortage of edible oils. Logically, if there is a genuine scarcity of a commodity at a point of time, by definition, the storage capacities are under-utilized. And further, one has to underline the fact that with co-ordinated and phased manner of imports of edible oils the bottleneck of storage capacities could be overcome. And lastly, it may be mentioned that the problem of storage of edible oils has to be seen in the context of the extent of shortages at various sets of prices and spread over the year. As the oil seed crop (1976-77) was expected to be lower by 10 per cent, one could have estimated the extent of shortage in terms of quantity of oils to be additionally brought in over the year. Given this, it should be possible to phase out the programme of imports keeping in view the temporal distribution of shortages and likely availability of storage space. For example, in the first phase of acute shortage, refined and/or unrefined oils can be imported. Meanwhile, the STC could import oil seeds for oil

extraction within the country. It is obvious that the storage problem for oil seeds would not be as difficult as for edible oils.

25. In brief, we consider that if the objective was to bring in large imports to meet edible oil shortage and achieve a reduction in the prices for the benefit of the common man, the Government should have utilized the State Trading Corporation as an agency, instead of placing the imports on the OGL and invite private trade to help resolve the crisis. In our understanding, based on experience the world over, in critical situations challenges need to be met in a coordinated manner rather than be left as a free for all affair. By placing the edible oil imports on the OGL, the Government placed all confidence in private trade and left it to the market mechanism to resolve the crisis. The results of this approach have been no different from what could have been predicted.

Implications
of Free Licen-
sing:

26. Probably, it was more out of lack of clarity that the Government issued instructions to the Regional Licensing Authorities to suspend all normal scrutiny of applications before issuing edible oils import licences. There were no questions to be asked. Who-so-ever asked for a licence, was to be given the licence with speed. Under the Emergency,

no one would have doubted the meaning of instructions from the CCI&E, directing that licences should not be denied on 'flimsy grounds'. The suspension of normal scrutiny of applications meant that none in the CCI&E or Government could know how much of the import licensees could be relied on for their utilization. Any number of licensees could inflate the figure of the total value of nominal licences issued. The number of import licences issued, without scrutiny, was also likely to be rather large as an import licence in India continues to command a premium. The past experience provides sufficient evidence that an import licence can be sold in black market. It could, have, indeed been the case if the Government had, all of a sudden, stopped issuing licences - may be after issuance of licences worth Rs. 500 crores or so. The purpose of obtaining a licence could have been its underhand sale at a premium. Infact, a detailed inquiry into the genuineness of licensees could demonstrate this aspect in a conclusive manner. If the licences were to be issued to those only who had experience, storage capacity, the requisite infrastructure, available credit facilities and all that is necessary for efficient management of imports, there could have been some sense of responsibility amongst the genuine licensees to make efforts to import edible oils. However, even then the

other handicaps arising from the expected turn of world market and domestic prices (discussed earlier) would have limited the extent of utilization of licences. The concentration of supplies in the hands of a few big importers might have defeated the objective of relieving pressure on domestic prices.

Comparison with 27. In this regard, we may mention a number of parallel
Industrial
Licensing: cases in the area of industrial licensing. In the operation of IDR Act 1956, it has been seen that when certain industries were exempted from the licensing provisions, the tempo of investments in these industries declined. Such a behaviour on the part of Indian entrepreneurs is quite understandable. In India, entrepreneurs have got accustomed to operating under conditions of protection and assurance that the licensees would have monopoly rights - it was true in the case of industrial investments as much as in imports or any other regulated economic activity. In this case, as licences were being issued to everyone and for any value, without import duties, the largest advantage could be taken by those who entered the picture with speed. But, who would take the risk of entering into import agreements in February-March 1977 (when the country was going in for General Elections and not many could be sure of the election outcome which could bring

about a decisive change in the economic policies of the Government)?

Long Validity
Period:

28. To cap it all, the Government had kept the validity period of licences at one year. Thus, the licensees were taking a sound decision in avoiding all possible business risks implied in an uncertain political climate, combined with other uncertainties of the international and internal market.

Absence of
Monitoring
Machinery:

29. Another serious aspect of the import licensing system followed in the case of edible oils has been the absence of effective vigilance machinery to ensure that the imported edible oil were being used for direct human consumption only and no diversions were to take place towards Vanaspati or other industrial purposes. The importers were to sell the oil in the market. Once the imported oil was in the market, one does not know of any existing mechanism (even a Government notification) which can stop any manufacturer from using the market purchases of imported oils for meeting his demand for raw materials. Non-diversion to non-direct human-consumption could, at best, be insisted upon as far as importers were concerned, but how could this be ensured from non-importers?

30. Furthermore, the Government chose to opt for

obtaining assurance for non-diversion on a plain paper. What is the legal force of such an assurance? Such documents could have no legal backing. This is well understood by the trade. It is also well known that Government has only in rare cases used the punitive clauses - even when any illegal activity is discovered and established. The Vanaspati manufacturers, for instance, knew it by experience that even though many of them have used higher percentage of groundnut oil than what Government directives have imposed from time to time, none has ever been penalized.

31. The office of the CCI&E has no system to keep a vigil on the use of imported materials. The follow up is essentially complaint based. In the case of edible oil imports by units which were engaged in the production of multiple commodities (i.e. refining and blending of edible oils, manufacture of Vanaspati, Soaps and toiletries, etc.) there could hardly be any effective mechanism to prevent the diversion of imported oils to industrial uses. The Government, however, issue a public notice much later requiring the State Directorates of Industries to keep a vigil on utilization of the imported oils.

Summing Up:

32. In brief, procedures and conditions laid down for the issue of licences were such that they could not be kept

under vigilance nor could any legal action be taken against defaulters. One has a feeling that the terms and conditions were not taken seriously by the Government itself. It was only a formality having neither legal backing nor intentions to take punitive action against the likely defaulters.

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CHAPTER - III

ISSUE OF LICENCES AND UTILIZATION

CHAPTER - III

In pursuance of the decision of the Government of India of January 17, 1977, to allow imports of edible oils and oil seeds freely under 'Open General Licence' (OGL) scheme, a large number of import licences were issued. The licensing system was to operate in a decentralized manner. An applicant could obtain licences for imports of edible oils from his respective Regional Licensing Authority. It may be mentioned here that the Chief Controller of Imports and Exports (CCI&E) has four Joint Chief Controllers of Imports and Exports. These are located at Delhi, Calcutta, Madras and Bombay. In addition to these, there are seven Deputy Chief Controllers and another seven Controllers of Imports and Exports.⁽¹⁾ All these offices were authorized to issue the licences.

Monitoring
Status by
C.C.I. & E.

2. The licensing authorities, soon after the decision of January 17, 1977 were directed to keep the CCI&E office at Delhi informed, periodically (weekly) about the number and value of licences issued by them.⁽²⁾

(1) Deputy Chief Controllers are located at Panjim, Ernakulam, Kanpur, Ahmedabad, Hyderabad, Bangalore and Bhopal; the Controllers are located at : Rajkot, Pondichery, Visakhapatnam, Amritsar, Srinagar, New Kandla and Shillong.

(2) Confidential Circular of January 19, 1977

On March 11, 1977, the licensing authorities were directed to "forward to the Policy Cell a fortnightly statement of import licences issued, showing names of the licensees, value of licences and the items allowed to be imported".⁽¹⁾ It was also desired that on all licences issued for edible oils/oil seeds, a condition should be imposed that the licensees should furnish information about actual imports made by them, immediately on importation of goods.⁽²⁾ The circulars issued by the CCI&E office do not seem to have the desired effect. One operational consequence of this has been on our study, directly. We have not been able to obtain a full list of licences issued for import of edible oils. Upto July 22, 1977, we were furnished lists covering 3,865 licences. Some of the Licensing Authorities, it appears, did not submit any list. We presume no licence was issued by them. Even the Licensing Authorities who have sent their lists, do not cover uniform period. From some Authorities the lists are upto 15th June, 1977, whereas in the case of others the period ends with March 31, 1977. The list of licences issued, as received by us, therefore, is not comprehensive. Appendix C gives the

(1) Circular of March 11, 1977.

(2) Ibid.

period of coverage for different Licensing Authorities and the number of licences issued at each one of them.

Analysis of 3. Total number of the licences issued for import
Licences Issued:
Regional of edible oils/oil seeds, as analysed by us, was 3,865.
The gross value of these licences was nearly Rs.732.46
crores. The region-wise distribution of these licences
is given in Table-XVII. It would be seen that while

TABLE - XVII

Showing Distribution of Import Licences
(edible oils/oil seeds)

Region	Number	Value (Rs.crores)	% of Numbers	% of Value
1	2	3	4	5
Bombay	405	437.70	10.48	59.76
Calcutta	647	120.43	16.74	16.44
Delhi	754	83.01	19.51	11.33
Madras	2059	91.32	53.27	12.47
All India	3865	732.46	100.00	100.00

Bombay region claimed nearly sixty per cent of the value of gross imports, the number of licences issued in the region was the lowest of all regions. On the other extreme is the Madras region which issued more than half of the licences but in terms of value Madras region's claim was only 12.5 per cent of the gross value of imports allowed. It is obvious that the average value of licences issued in Bombay region was far higher than in other regions. The average value of a licence was more than Rs.1.00 crore in Bombay and only Rs.4.4 lakhs in Madras. The dominance of Bombay region has to be seen against the fact that, traditionally, Gujarat and Maharashtra are main centres of edible oil trade.

4. We have analysed the licences issued in terms of two periods: one, the licences issued upto March 31, 1977 and two, all licences for which we received information upto July 22, 1977. This was done in view of a number of policy changes, announcements and administrative decisions taken soon after the change over of the Central Government. Table-XVIII shows the region-wise distribution of the licences issued upto March 31, 1977. It is seen that the pattern of regional sharing is not much different whether one takes the period upto March 31, 1977 or one views the relatively more comprehensive list covering subsequent licences also.

The Bombay region had large value licences and in the Madras region the licencees obtained smaller value licences.

TABLE - XVIII
Showing Distribution of Import Licences
(upto March 31, 1977)

Sl. No.	Region	Number	Value (Rs.crores)	% of Numbers	% of Value
1		2	3	4	5
1.	Bombay	297	318.30	18.53	62.26
2.	Calcutta	418	112.08	26.08	21.92
3.	Delhi	169	39.75	10.54	7.78
4.	Madras	719	41.13	44.85	8.04
5.	All India	1603	511.26	100.00	100.00

Size Groups of Licences

5. The value of different licences varies in a large measure. In view of the value differences it is necessary to analyse the licences according to the value of each licence. Table-XIX shows value-wise distribution of the licences. Out of the total of 3,865 licences, 107 licences are of more than Rs.1.00 crore each. The large

TABLE - XIX

Showing Distribution of Licences
According to Value

Sl. No.	Range (Rs. Crores)	Number	Value (Rs.crores)	Number %	Value %
	1	2	3	4	5
1.	10 and above	11	146.13	0.28	19.95
2.	5 - 10	23	160.06	0.60	21.85
3.	4 - 5	17	73.61	0.44	10.05
4.	3 - 4	15	50.92	0.39	6.95
5.	2 - 3	20	48.05	0.52	6.56
6.	1 - 2	21	28.15	0.54	3.85
7.	Above Rs. 100 Crores	107	506.92	2.77	69.21
8.	Less than 1.0	3758	225.54	97.23	30.79
	Total	3865	732.46	100.00	100.00

value licences, each of the value of Rs. 1.00 crore and above accounted for less than 3 per cent of the total number of licences issued but their share in the total value was 70.31 per cent. On the other hand, 3758 licences, each of the value of less than Rs. 1.00 crore accounted for 97.23 per cent in numbers and the combined value of these was only 30.79 per cent. There were 11 licences with value of Rs. 10.00 crores and above.

Licensees

6. As shown in Table-XIX, there are 107 licences each valuing Rs. 1.00 crore and above. These licences were grouped according to the licensees. Other smaller licences issued to these parties were added. As a result of this we find that the share of the 87 licensees, each having import licences of over Rs. 1.00 crores, accounted for Rs. 514.98 crores out of the gross total value of the import licences valued at Rs. 732.46 crores. Table - XX shows distribution of the 87 licensees, according to the amount of the edible oil licences held by them. A full list of these licensees is given in Table XXI. It would be seen that the largest value of import licences were obtained by Godrej, the value being Rs. 47.38 crores; the next

largest value of licences being held by Bajrang
 Lal Amrit Kumar (Rs. 20.00 crores); Liberty Oil
 (Rs. 17.73 crores); Allanasons, (Rs. 17.69 crores);
 Jai Hind Oil, (Rs. 15.50 crores) and Bhagat Oil,
 Rs. 15.00 crores.

TABLE - XX

Showing Distribution of Licensees

Sl. No.	Range (Rs. Crores)	Licensees		Value of Import licensees	
		Num- ber	%	Value	%
1	2	3	4	5	6
1.	1 - 2	11	12.64	14.11	2.74
2.	2 - 3	19	21.84	45.03	8.75
3.	3 - 4	11	12.64	38.18	7.41
4.	4 - 5	11	12.64	49.05	9.52
5.	5 - 10	21	24.14	145.95	28.34
6	10- above	14	16.10	222.66	43.24
7.	Total	87	87	514.98	100.00

TABLE XXI

Showing licensees who obtained Large Value Licences
(As per information available July 22, 1977)

Sl. No.	Name of the Licensee	Value (Rs. crores)	Number of Licences
	1	2	3
1.	Godrej Oil	47.38	4
2.	Rajrang Lal Amrit Kumar	20.00	1
3.	Liberty Oil	17.73	2
4.	Allensons	17.69	2
5.	Jai Hind Oil	15.50	1
6.	Bhagat Oil	15.00	2
7.	Kamani	13.50	2
8.	Gwaika Oil	12.13	2
9.	Ganesh Flour	11.95	3
10.	Premier Oil	10.60	1
11.	Sanjive Traders	10.50	2
12.	Tata Oil	10.68	6
13.	Rasoi	10.00	1
14.	Chotan India	1.00	1
15.	Bombay Soap	9.32	1
16.	Ahd. Omerbhai	9.25	5
17.	Prabhat Solvent	9.15	2
18.	New India Oil	8.81	1
19.	Karachi Khopra	8.41	1
20.	Khimji Premji	7.95	1
21.	Victor Oil	7.50	1
22.	Jaju Exporters	7.49	1
23.	Jamandas Mahavji	7.12	1
24.	Bombay Oil	7.10	2
25.	Camedchand Kashiram	6.50	1
26.	Premji Chellabhai	6.38	5
27.	Krishna Oil Mills	6.00	1

Sl. No.	Name of the Licensee	Value (Rs. crores)	Number of Licences
1		2	3
28.	Union Industries	5.95	2
29.	Oceanic Solvent	5.50	4
30.	Jain Shudh Vanaspati	5.05	1
31.	Tanna Trading	5.01	2
32.	Madharji Purshotamdas	5.00	1
33.	A.F.J.	5.00	1
34.	Jayant Oil Mills	4.94	6
35.	Vegetable Vitamine	4.94	1
36.	Bombay Extraction	4.68	1
37.	General Foods	4.55	1
38.	Mulhi Devshi & Coy.	4.51	4
39.	Margarine & Refined	4.50	1
40.	Gwalior Oil	4.46	1
41.	New World Oil	4.37	1
42.	Sangam Oil	4.10	1
43.	Ganesh Til Mill	4.00	1
44.	Krishna Oil Caka	4.00	1
45.	Hanuman Cotton Seed	3.83	1
46.	P.B. Enterprises	3.75	1
47.	Sri Krishna Oil	3.65	2
48.	Jai Baharat Oil Mills	3.60	3
49.	L.D. Traders	3.60	1
50.	Premji Bhamji	3.60	1
51.	Hindustan Liver	8.46	4
52.	Marda Agents	3.50	1
53.	Kishorelal Virdar	3.35	1
54.	Nathubhai Jiani	3.30	1
55.	Kajaria Exports	3.00	1
56.	Ratilal & Co.	3.00	1
57.	Shree Bissen Das	2.97	1
58.	Talakshi Lalji	2.70	1
59.	Kusam Products	2.70	1
60.	Bonafide Exporters	2.64	2

Sl. No.	Name of the Licensee	Value (Rs. crores)	Number of Licences
1		2	3
61.	Panchsheel Solvent	2.62	2
62.	Ramprasad Madh Prasad	2.50	1
63.	Berar Oil Industries	2.50	1
64.	Tungalbhadra Industries	2.50	1
65.	Jaipur Oil Products	2.45	1
66.	Oswal Refineries	2.43	2
67.	Rohtas	2.40	1
68.	Raj Oil Mills	2.20	1
69.	Western India	2.13	3
70.	Khandesh Extractions	2.10	1
71.	Adoni Exports	2.10	1
72.	Bhivandiwala	2.09	1
73.	Shalimar Chemical	2.00	1
74.	Oswal Oil Mills	2.00	1
75.	Mahakali Oil	2.00	1
76.	Sunanda Foods	1.95	1
77.	Capital Flour	1.69	1
78.	Mahadev Shahara & Co.	1.52	1
79.	EID Parry	1.55	1
80.	Malva Vanaspati	1.31	1
81.	TGL Shetty	1.29	1
82.	East Cost Agencies	1.00	1
83.	Bansal Oil	1.00	1
84.	Razak Oil	1.00	1
85.	Lucky Industries	1.00	1
86.	Jai Industries	1.00	1
87.	Rasoi International	5.00	1
- - -			
Total		514.98	137

Dominance of
big Licensees

7. The dominance of large licensees in the overall import authorisations clearly shows that under the OGL provision, lions share of the import authorizations was claimed by a small number of large importers. But the above picture as reflected in Table-XIX does not reveal the true character of the dominance of large licensees. Amongst the licensees, a number of them have close inter-connections. We did not have sufficient data to pursue and establish linkages between the licensees to group them as 'edible oil business Houses'. However some preliminary exercises undertaken by us show it beyond doubt that there are close connections between a number of edible oil licensees. Inter-connections also get indicated in the names of the firms and common addresses, more so when the names of the firms indicate inter-connections and the addresses happen to be the same.

An Instance

8. For instance, one of the most prominent case is of a group which include: (i) Tanna Exporters Private Limited, Bombay, (ii) International Exports and Estate Agency, Bombay, (iii) Tanna Trading Corporation, Bombay, (iv) Dipak Enterprises, Bombay, (v) Tana and Sons, Jamnagar, (vi) Jamnadas Madhavji

and Company, Bombay, (vii) Jamnadas and Sons, Bombay (viii) Usha Transport and Trading Company, Bombay and (ix) Peanut Products. These have close affiliations to be, infact, seen as an edible oil Trade House, like a Business House of India. The above mentioned licensees/companies are located at Tanna House, 11-A Nathalal D. Parik Marg, Bombay. Letter-head of one company lists these as 'Associates'. The need for grouping these under one House become all the more important in view of the fact that these companies transact even inter-national business with each other. For instance Jamnadas Madhavji (London office) has supplied rapeseed oil to Usha Transport and Trading (an associate).

Other Instances 9. Another case is that of Ahmad Omerbhai and Bombay Soap. Both of these licensees have common telephone numbers in Bombay and have the same address in Bombay. Similarly, Kapadia Stores, Kapadia Oil Mills and Refinery, and Kapadia Trading Company share common telephones, telex and address in Bombay, in addition to having Head Offices in Hyderabad at the same address. The same holds true of Rasoi International and Rasoi Vanaspati and Industries Ltd.,

both located at Calcutta. Premji Ghellabhai, Sanjiv Traders and Lahamsi Ghelabha. also appear to have close associations. The need for grouping licensees like Tata Oil Mills and Tata Exports; Kusam Products, Berar Oil, Tungabhadra Industries (of Birla House), Hindustan Levers with branches in Calcutta, Bombay, Madras or Jayant Oil Mills is obvious.

Complete
Reliance on
Private Trade

10. This exercise, though important, to show high degree of concentration in edible oil trade and dominance of a small group of traders and importers has not been pursued by us. The main reason for not taking up these investigations was that even if inter-connections of traders are forgotten the dominance of a small section of traders on the national edible oil trade scene is quite obvious. The decision to place the import of edible oils and oil-seeds on the OGL list, de facto implied complete reliance by Government, for supply management of the edible oils in India, on a group of private traders.

Misplaced
Reliance on
Private
Importers

11. The primary objective of placing the import of edible oils on OGL was to affect large quantities of the imports. Thus, it is relevant to enquire if

the objective was achieved, irrespective of the fact that a small number of edible oil traders had obtained high value licences, accounting for more than four-fifths of the value of total licences issued. One expectation, in the minds of many, would be that as large importers have the requisite experience, the necessary finance, storage and access to the trade infrastructure they would prove their trade capabilities and affect imports in a speedy manner to relieve the home market of edible oil scarcity. The dependence on large traders, even when it creates monopoly elements, may be justified for meeting a critical situation in the country. Such a view is, however, not shared by us. As brought out in Chapter-II, our view is that big traders and importers, by their very nature, have a tendency to operate in a manner that gives them the maximum financial advantage. If it suits them, they would restrict imports and phase their import programmes in a manner that they could harvest the maximum advantage by allowing the prices in the home market to continue to remain high.

Extent of
Utilization

12. To assess the extent of utilization of the import licences we identified a list of licensees who had obtained licences for more than Rs. 1.00 crore each upto March 31, 1977. To this list we added such licensees who, prima facie, appeared to have close associations with others. The list covered 132 licences. Because of multiple licences, the number of licensees involved was only 79. The total value of the 132 licences was nearly Rs. 406 crores. It may be mentioned here that though the numbers of the licences covered under this survey, was 132 out of 1603 (i.e. nearly 8 per cent), the coverage, in terms of value, was of the order of Rs. 406.15 crores out of the total value of licences which stood at Rs. 511.26 crores (i.e. nearly 80 per cent). The list of the licences was drawn^{out} from those licences which were issued before March 31, 1977. The above mentioned list was sent to the CCE&I, with the request to furnish information with regard to the utilization status of these licences. The list as sent to CCI&E is given in Appendix-D.

Information
received from
the Importers

13. The Chief Controller of Exports & Imports was kind enough to obtain information from the licence holders about the extent of utilization through the Regional Offices. The replies were furnished to us regarding 112 licensees out of the 132. The licensees who are not covered in the 112 are also shown in Appendix-D. The licence holders were asked to inform the CCI&E about the extent of utilization of their licences on a proforma. The information was sought on value of (i) actual imports, (ii) irrevocable letters of credit, (iii) firm orders placed, and (iv) imports already arranged. (A copy of the proforma is given in Appendix-E). As the CCI&E had to obtain the required information from the licensees through its Regional offices, it took time. The CCI&E furnished the information in three instalments, the last being on August 9, 1977. Total value of the 112 licences, for which replies were available to us, was Rs. 357.34 crores.

Poor Utili-
zation

14. Analysis of the replies furnished to us shows that the total value of the actual imports of edible oils, upto June 1977, was of the order of Rs. 18.49 crores only. Edible oils worth nearly Rs. 11 crores

were reported to be in the pipeline (i.e. shipped but not arrived). It was reported that firm orders had been placed and arrangements finalized for oils valuing nearly Rs. 9.00 crores. The reported value of letters of credit (irrevocable) opened was Rs.41.15 crores. Table-XXII presents the results of the compilations based on the replies furnished. While going through the replies we found that the value of letters of credit opened, in many a case, appeared to include the value of those orders which had already matured.

TABLE-XXII

Showing Extent of Utilization of the
Import Licences (based on replies received)

Sl. No.	Item	Value (Rs.crores)	Number
	1	2	3
1.	Licences issued upto March 31, 1977	511.25	1603
2.	Licences covered in the survey	406.15	132
3.	Replies Available	357.34	112
4.	Actual Imports	18.49*	45
5.	Pipeline	10.97*	11
6.	Firm Orders	3.33	14
7.	Arranged	5.77	

* Some licence holders had given the actual imports in terms of quantities. These have been converted into value.

15. The conclusion is obvious. In response to issue of large number of licences for import of edible oils and oil seeds, under the OGL scheme, the actual imports were very small. If one takes our survey to be representative of the general level of the extent of utilization, the total value of actual imports can be placed around Rs.25.0 crores only (i.e. a utilization rate of nearly 5 per cent).

Relative Per
formance by
Different Size
Groups

16. Table-XXIII presents the relative performance at actual imports and opening of letters of credit, of licences falling under categories based on the value of the licences held by them.

TABLE-XXIII

Showing Relative Performance of Licensees at
Actual Imports and Efforts made for utiliza-
tion of the Licences.

Sl. No.	Size Group	Actual Imports as percentage of the value of licences held	Value of letters of credit opened as a percentage of the value of the value of licences held	Number of Licences
	1	2	3	4
1.	Below 1 Crore	15.65	37.65	7
2.	1 - 2	8.03	12.21	8
3.	2 - 3	4.67	11.70	13
4.	3 - 4	4.16	6.11	8
5.	4 - 5	5.01	13.77	9
6.	5 - 10	4.50	15.93	14
7.	Above 10	5.96	9.33	9
8.	All Groups	5.36	12.08	68

It would be seen that the relative performance of those licensees who held licences for less than Rs.1.00 crore, was better than that of the large value licence holders. Consequently, the ratio of actual utilization to value of the licences held, for the first group (below Rs. 1.00 crore) is more than 15 per cent and for those who held licences for more than Rs. 10.0 crores the rate of actual utilization was less than 6 per cent. The same picture gets presented if one takes the performance in terms of the value of letters of credit opened by the licensees under different categories. While it is true that the overall performance at utilization of licences has been low, one cannot say that larger value licence holders demonstrated more efficiency than the smaller licensees. Infact, the evidence is to the contrary.

Modalities of
Arranging
Imports: Need
for a closer
scrutiny

17. While examining the replies from the licensees we notice that the imports of edible oil were essentially arranged by a few broker companies having their offices in India. An impression that large size companies and traders would use their contacts in the world market to utilize their licences in a faster manner does not appear to be well founded. Even when some companies are known to have their offices abroad

the services of brokers in India have been deployed. It is, however, interesting that many of the Indian importers have entered into agreements for supplies from Indian exporting firms based abroad, particularly in the case of palm oil. The implications of this feature, need to be further examined. We would like to mention this, in particular, with respect to such deals when exporter and the importer appear to be the same individual; signing the agreements of a deal, once from an office in Bombay and soon after from an office abroad.

Variations in
Import Prices

18. While going through the agreements we have noticed the existence of wide variations in prices paid by different importers. This is not any surprise. However, if the prices for some type of oil, settled on the same day, differ in a noticeable manner, it does appear to be a matter of concern. We are providing an illustrative list of the agreements to substantiate our point. (See Appendix-F).

Reasons for
Poor Utiliza-
tion

19. Now we come to the reasons for poor utilization of the licences as mentioned by the respondents. It is observed that Calcutta region licence holders were not able to use their licences due to absence of

adequate and appropriate port facilities. A number of respondents expressed their inability to import because of this limitation. Two of the well established edible oil companies, because of this reason, asked for transfer of their licences to the Western region.

20. One observes that a good many of the large value licences were obtained by such applicants who did not have any previous experience of edible oil imports. As confessed by some of them, they could not utilize the licences because of their lack of experience in the trade. Probably, many of them obtained licences in the hope that they could benefit by holding a licence at a later date when there would be some premium on these licences. The existence of such a feeling in trade is not un-natural in the background of the fact that import licences in India, for many commodities, even now continue to carry large premia. Such licence holders have also placed the blame on the Indian banks for not allowing them adequate and timely financial accommodation to enable them to utilize their licences. As a matter of defence a good number of licence holders have asserted that as the licence was valid for one year, they had to plan and negotiate

contracts in a phased manner. An angry respondent asks the question as to where was the question of our not making efforts to utilize the licence within three months when the licence was valid for 12 months. In the case of this respondent the licence was issued on February 2, 1977 and the licence was cancelled through the Public Notice of May 19, 1977.

21. One of the most prominent reason for non-utilization of licences, as given by the respondents, is the unstable price situation in the international as well as home market, implying a great financial risk for the importers. The point is sharply brought out by a large licence holder in his one line reason for non-utilization of the licence. The answer is: "We have not been able to get competitive prices". It has been brought out by another importer that there were no hedging facilities available to avoid likely losses in the trade of edible oils.

Realization of 22. The plight of the small value licence holders
the role of a
Public Sector is, in our opinion, well presented by one respondent
Agency who underlines the fact that foreign suppliers are not interested in supplying edible oils in small quantities and shipping facilities, if available to small importers,

are at un-economic prices. Infact, some of the respondents, having failed to establish a consortium of private traders, have expressed that the State Trading Corporation should extend its facilities in helping them to utilize their licences. In this regard it has also been mentioned that large imports of edible oils can be made more easily by the STC as it has already built-up warehousing and storage capacities at the port towns.

Summing Up

23. The decision to resort to free licencing for edible oils to private refiners and traders lacked a sound analytical base. The analysis of licences issued under the scheme showed both regional and large value size group (Rs.1.00 crore and above) concentration. Owing to the practice of multiple licences, the number of licences became still smaller. A number of licensees also had close inter-connections. Consequently, the actual import of the oils became dependent on the decisions of a telescopic minority. The analysis of utilization of the licences showed a utilization rate of nearly 5 per cent only. We also observed the presence of inverse relationship between the value of licences and the efforts at utilization. The policy of entrusting the imports of a commodity like edible oils to the private refiners and traders proved to be a failure.

CHAPTER - IV

CONCLUSIONS AND RECOMMENDATIONS

CHAPTER - IV

Need for Price Control

While the demand for edible oils is on the increase, the corresponding increase in the production of oil seeds has not taken place. Over the years, the gap has been widening. In consequence, there has been a secular rise in the prices of edible oil in India. Alongwith the secular upward trend in the prices of edible oils one also observes the existence of wide price fluctuations, seasonal as well as cyclical.

2. Edible oil is one of the important constituents of a balanced diet. The need for adequate supplies of edible oils is also felt because the animal fats (ghee and butter) as substitute for these oils are beyond the reach of a large section of the Indian population. The continuing rise in the prices of edible oils is placing this commodity beyond the reach of the poorer sections of the society. In a country like India, the need for restricting rise in prices of essential commodities is of paramount significance as pressure on the prices of primary and basic consumption commodities would deprive large sections of the population of the opportunities to

enjoy minimum essential consumption. Government cannot remain a silent spectator in such cases.

Long-term
solution:
Increased
Production

3. A longterm solution to the problem of achieving a balance between the demand for edible oils and the supply lies in enhancing the level of edible oil production. For this, a multiple of measures have to be undertaken in a planned and determined manner. The Agricultural Prices Commission, the National Commission on Agriculture, the Tariff Commission as also a number of other agencies, from time to time, have identified the possible means of enhancing the supplies of edible oils. We do not consider it necessary to repeat them here. These are well known. (See Appendix-G).

Short-run
Solutions:
Planned
Imports and
Buffer Stocks

4. Imports of edible oils, in our opinion, is a short run solution. However, unlike some other essential items whose availability from the world market is nearly impossible, edible oils are widely traded in the international market and their imports are possible. Given the present easy foreign exchange situation, a policy of planned imports of edible oils appears a reasonable short-run solution. The importance of imports of edible oils has to be seen from two angles. One, the imports being used as an instrument of price stability. This may be done

either on year to year basis or ^{by} building up buffer stocks so that interventions in the market are effective.

Two, since the domestic output is highly volatile and, in the short-run, is likely to remain so, buffer stocks can probably be built, to an extent, from domestic output in years of bumper crop. However, their supplementing by imports on a sustained basis and fairly sharply in lean years seems essential for a reasonable price stability and assuring a certain minimum level of consumption to the vulnerable sections.

Failure of
Imports on
Private Account

5. To meet the edible oil scarcity and control rapidly increasing prices of edible oils in India (as experienced during July 1976 and January 1977) it was not an un-wise decision to procure edible oils from abroad on a priority basis. The decision was, basically, a correct one. However, as brought out in Chapter-II, we are of the opinion that the decision to place reliance on private trade for bringing in edible oils from abroad, and placing of the imports on OGL was an unsound and ineffective decision. The reliance on private trade as a mechanism of meeting a national scarcity situation was a misplaced one. This was particularly so as the edible oil trade is concentrated at few centres and is in the hands of a small number of large traders.

Role of
STC

6. Instead of placing the edible oils on the OGL scheme it would have proved far more effective if the STC was directed to take up the responsibility of importing the needed oils and simultaneously, the STC was asked to intervene in the edible oil home market on the basis of stocks already available with it. A number of other steps, e.g. fixation of prices, statutory control over stocks, direct supplies of edible oils in smaller packings, etc., would have produced the desired results.

Need for Four
to Five Years
Perspective

7. It is our impression that the Government has been, in the past, announcing policies, directly affecting edible oil trade and supplies, with a time perspective of a few months or a year. In contrast to this, we consider that the time perspective has to be four to five years. For implementing such a decision other requisite steps should be taken in a planned manner.

Multiplicity
of Agencies:
Need for One
Agency for
Co-ordination

8. We also observe that at present a number of Ministries and administrative Departments are involved in the use and regulation of edible oils market. This is in addition to the actions taken by State Governments. The Department of Civil Supplies (for ensuring supplies of edible oils, as it is one of the essential commodities) Ministry of Industries (for regulation of vegetable oils as raw material for soaps, varnishes, paints, etc.),

Ministry of Commerce (through policies regarding Imports and Exports), the Ministry of Agriculture (for fixation of prices for oil seeds and regulation through Directorate of Vanaspati, the Ministry of Finance (for credit policy towards edible oil and oil seed stocks); and the State Trading Corporation for procurement of soyabean and other oils from abroad for supplies to the Vanaspati manufacturing units. We consider that, in view of the importance of the edible oils it is of basic importance to have one agency which would coordinate policies and administrative action at various levels for achieving the desired objectives.

Need for
Similar Price
Controls for
Vanaspati
and edible
oils.

9. The prices of edible oil are considerably influenced by the demand for edible oils from the Vanaspati manufacturers. The edible oils and Vanaspati are close substitutes. Further it needs to be underlined that refining capacity of edible oils exists with all Vanaspati manufacturers. Under these conditions it should be only logical to have price regulation on the same basis for refined edible oils and Vanaspati. To have different kinds of price controls would only encourage the manufacturers and traders to manipulate supplies in a manner that gives them the overall profits and defeat the purpose of such control. For instance, if the prices

of edible oil were higher the manufacturers would reduce the production of Vanaspati and divert their capacities to feed the demand for refined oils. We have observed the existence of such a phenomenon in the Indian economy. It has been brought to our knowledge that the Vanaspati industry has a large unutilized capacity; the Vanaspati industry is dominated by a small number of manufacturers; and the Vanaspati manufacturers have a well knit association which acts as their effective lobby to influence decision making in Government. By subjecting Vanaspati and edible oils to a uniform statutory price control, it should become possible to prevent the Vanaspati units from by passing the controls.

Need to Control 10.
Brand Image
Building

It has also been observed by us that important Vanaspati manufacturers have their 'brand' names and considerable amounts are spent by them on building up of brand preferences, particularly for two and four kilogramme packings. The expenditure on advertisements has to be seen in the background of the fact that all Vanaspati manufacturers are regulated under quality control Act. Due to the higher capacity of the large units in the industry to spend on advertisements and building up of brand images, larger units are able to effectively

indulge in monopolistic practices and earn premia due to product differentiation. The practice of Vanaspati brand names has recently been extended to the field of refined edible oil marketing. It can be clearly seen that imports of edible oils by some of the large Vanaspati manufacturers have helped them to establish 'brand' names in the edible oil trade as well. We consider this trend toward building up of brand preferences to be an un-healthy one as it is bound to increase prices for the average consumer as also adversely affect the non-organized sector in the edible oil production. The Government, we consider, should take a serious view of this development. In this respect efforts of consumer education against brand names should be initiated at an early stage before imaginary distinctions and advertisements can create non-substantial product differentiation in the consumer mind. In view of the above mentioned consequences of advertising leading to widespread acceptance of brand images, the expenditure on such advertising should not be treated as a permissible part of cost of production.

Vegetable
Oils Trading
Corporation:

11. After taking various facts, trends and processes into consideration, we recommend that the Government should set up a 'Vegetable Oils Trading Corporation' which

should discharge the following functions:

- i) To maintain up-to-date information with regard to production, market arrivals, demand for vegetable oils by different users, changes in stocks, inter-regional movements of edible oils/oil seeds, wholesale and retail prices at home and in the international markets;
- ii) To have monopoly rights of imports or exports of all types of vegetable oils and oil seeds, including H.P.S. groundnuts;
- iii) To build-up storage and warehousing capacities at all important points to enjoy an effective means of direct intervention in the edible oil trade when the prices show wider fluctuations than considered justified;
- iv) To build-up buffer stocks with a time perspective of 3-4 years instead of a season or a year;
- v) To have the authority to procure all refined oils in the organized sector, get these refined and processed for direct human consumption and arrange its marketing at uniform price either through the fair price shops, public distribution system or through retail outlets.

- vi) To render advice to State Governments, Ministries and Departments of the Government of India and other agencies whose policies and actions have a direct bearing on the edible oil production, supplies or prices;
- vii) To undertake procurement, distribution and promotion of high quality and new varieties of oil seeds and undertake consumer education independently and in collaboration with other agencies;
- viii) To undertake all such measures that would help resolve the problem of edible oil shortages and ensure minimum supplies at reasonable prices to the vulnerable sections of the society.

We have given broad list of the objectives of the proposed 'Vegetable Oils Trading Corporation'. The organizational details of the proposal will need to be worked out later. We, however, are in favour of establishing a separate Corporation instead of assigning this responsibility to the State Trading Corporation, which is essentially engaged in foreign trade in a large number of commodities. The scope and nature of the Vegetable Oils Trading Corporation, as envisaged above, is quite specific.

Interim
Import Policy

12. It is only proper for us to give our views on the question of the present import policy with regard to edible oils and oil seeds. The Government has recently fixed maximum retail price for mustard oil. It is a welcome decision. There is an urgent need to bring all the edible oils under the maximum price fixation scheme. This decision is bound to increase the rate of utilization of import licences as even to-day/^{there} continues to be a substantial profit margin on imports. We are not in favour of immediate withdrawal of the OGL scheme as this may place a premium on the already held licences for import of edible oils. It would be more appropriate to have a phased programme of change over from OGL to complete canalization of edible oils and vegetable oils through the proposed corporation. Moreover, we appreciate that, even if an early decision to establish the corporation is taken, it would take some time before it can effectively take over its full responsibilities. It is, however, possible that the existing edible oil unit of the STC could function as a nucleus during the interim period.

Statutory
Price Fixation

13. We would like to underline that in view of the importance of edible oils to an average Indian, the Government has to evolve a policy which has a long-term perspective with regard to enhancement of overall

production, processing and other industrial uses, marketing and price regulation. An immediate corollary to this approach would be to fix prices of refined edible oils and Vanaspati under the Essential Commodities Act, instead of reliance on voluntary price regulations, as has been the case in the past for a number of essential commodities.

Management
Information
System in
C.C.I. & E.

14. Our experience of dealing with the office of the CCI&E makes us believe that the present system of follow-up, maintenance of data on utilization of the licence is extremely inadequate for effective monitoring and timely corrective measures. The coordination between various offices is also much below the level one would expect to be existing. While we agree that the CCI&E cannot have all the technical competence to decide what items should or should not be allowed, but the CCI&E could certainly have more meaningful system of seeking advice on technical issues from other agencies in the Government. We also feel that the conditions attached to licences issued have to be more realistic and their consequences worked out in advance. In any case, we recommend that the office of the CCI&E must build up a proper management information system to improve its effectiveness in regulation of imports and exports.

15. We believe, the stabilization of the prices of edible oils would not only reduce trading margins and end uncertainties for the producers but also create conditions under which major edible oil trade producing States would not be able to resort to imposing of formal and informal restrictions on movements. The price stabilization would undoubtedly help to eliminate speculative activities, which has been an unfortunate feature of the Indian edible oil economy. Such a statutory fixation of prices can also be expected to eliminate the alleged continued illegal future marketing in edible oils and oil seeds.

APPENDICES

APPENDIX - A

Showing Index Numbers of Area and Production of Groundnut
During 1964-65 to 1975-76

(Base 1964-65 = 100)

Sl. No.	Year	All-India		Andhra Pradesh		Gujarat		Tamil Nadu		Uttar Pradesh	
		Area	Production	Area	Production	Area	Production	Area	Production	Area	Production
	1	2	3	4	5	6	7	8	9	10	11
1.	1964-65	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
2.	1965-66	104.37	71.00	113.46	58.93	96.22	57.26	106.00	89.46	112.77	102.04
3.	1966-67	98.96	73.47	103.40	59.60	92.95	56.22	101.12	97.50	124.64	90.96
4.	1967-68	102.40	95.45	125.46	113.46	93.75	88.52	100.89	96.20	130.09	90.08
5.	1968-69	96.09	77.13	108.70	97.37	83.90	48.94	98.00	90.98	108.81	74.05
6.	1969-70	96.59	85.44	125.92	115.30	81.57	67.15	109.00	98.91	103.04	76.09
7.	1970-71	99.32	101.78	135.62	125.05	82.03	111.48	110.99	99.67	103.65	664772
8.	1971-72	101.82	102.95	139.56	127.35	82.94	93.56	123.97	138.37	99.70	55.35
9.	1972-73	94.77	68.15	129.58	109.19	81.24	21.25	117.76	119.89	95.74	83.67
10.	1973-74	95.23	98.80	127.11	150.55	73.82	75.34	126.30	131.74	107.29	63.38
11.	1974-75	95.76	85.13	134.71	154.60	69.58	26.23	108.43	93.70	126.14	102.33
12.	1975-76	100.00	116.44	123.17	126.81	76.57	123.56	120.20	138.26	131.51	92.71

(Source: INDIA, (Agricultural Price Commission.): Report on Price Policy for Groundnut, Soy bean and Sunflower seed for the 1977-78 Season; May, 1977)

APPENDIX - B

Showing Monthly Wholesale Price of
Groundnut During 1975-76

		(Rs. Per quintal)		
Sl. No.	Months	Andhra Pradesh (Mandyal)	Gujarat (Rajkot)	Uttar Pradesh (Kanpur)
	1	2	3	4
1.	November	180.00	171.30	150.00
2.	December	170.00	156.35	150.00
3.	January	162.50	133.75	140.00
4.	February	155.00	140.60	130.00
5.	March	137.50	143.35	140.00
6.	April	147.50	159.35	154.00
7.	May	145.00	154.75	154.00
8.	June	167.50	204.50	180.00
9.	July	205.00	193.10	220.00
10.	August	250.00	192.50	245.00
11.	September	250.00	191.25	240.00
12.	October	237.50	155.60	200.00

(Source: INDIA (Agricultural Price Commission):
Report on Price Policy For Groundnut,
Soyabean and Sunflower seed for the
1977-78 Season; May, 1977, p.15)

APPENDIX - C

List Showing Period of Coverage
By the Licensing Authorities

Sl. No.	Centre	Information received upto
1		2
1.	Calcutta	30th April, 1977
2.	Bombay	31st May, 1977
3.	Ahmedabad	15th May, 1977
4.	Rajkot	30th April, 1977
5.	Gha	31st May, 1977
6.	Madras	15th March, 1977
7.	Hyderabad	15th June, 1977
8.	Bangalore	30th April, 1977
9.	Vishakhapatnam	30th June, 1977
10.	Cochin	31st May, 1977
11.	Pondichery	31st May, 1977
12.	Delhi	31st May, 1977
13.	Kanpur	15th June, 1977

APPENDIX - D

List of Licences For which CCI&E was Requested
to get Information Regarding Actual Utilization
 (The list is out of the licences issued before
 March 31, 1977).

Sl. No.	Name	Number of Licences	Value (Crore Rs.)
1		2	3
1.	Godrej Soap	2	28.96
2.	Bajrang Lal Anil Kumar	1	20.00
3.*	Liberty Oil	2	17.73
4.	Bhagat Oil	1	15.00
5.	Jai Hind	2	15.50
6.	Kamani	2	13.50
7.	Swaika Oil Mills	2	12.33
8.	Ganesh Flour Mills	3	11.95
9.**	Tata Oil	6	10.68
10.	Premier Oil	1	10.60
11.	Rasoi Vansapati	1	10.00
12.	Bombay Soap	1	9.32
13.	Ahmad Oomarbhai	5	9.25
14.	New India Oil	1	8.81
15.	Karachi Rhopra	1	8.41
16.	Hindustan Lever	4	8.46
17.	Victor Oil	1	7.50
18.	Jaju Exports	1	7.49
19.	Jamnadas Madhavji	1	7.12
20.	Bombay Oil	2	7.10
21.	Omedchand Kashiram	1	6.50
22.	Union Industries	2	5.95
23.**	Premji Ghellabhai	3	5.63
24.*	Oceanic Solvent	4	5.50

	1	2	3
25.	APJ Pvt. Ltd.	1	5.00
26.	Tanna Trading Corporation	2	5.01
27.*	Madhavji Purshotam & Co.	1	5.00
28.	Jayant Oil Mills	6	4.94
29.*	Vegetable Vitamin Foods	1	4.94
30.	Bombay Extraction	1	4.68
31.	General Foods	1	4.55
32.	Mulji Deveshi & Co.	4	4.61
33.	Gwalior Oil	1	4.46
34.	New Worli Oil Mills	1	4.37
35.	Allansons Pvt. Ltd.	1	4.18
36.*	Prabhat Solvent	2	4.15
37.	Sangam Oil	1	4.10
38.	Hanuman Cotton Seed Products	1	3.83
39.	F.B. Enterprises	1	3.75
40.	Shree Krishna Oil Mills	2	3.65
41.**	Jaibharat Oil Mills	3	3.60
42.	L.D. Traders	1	3.60
43.	Marda Agents	1	3.50
44.	Nathubhai Jivanui	1	3.30
45.	Kajaria Exports	1	3.00
46.*	Shree Bishan Das	1	2.97
47.*	Talakshi Lalji	1	2.70
48.	Kusum Products	1	2.70
49.	Bonafide Exporters	2	2.64
50.*	Panchsheel Solvent	1	2.63
51.	Ramdas Madhav Prasad	1	2.50
52.	Jaipur Oil Products	2	2.45
53.	Rohtas	1	2.40
54.	Raj Oil Mills	3	2.20
55.	Western India	1	2.13
56.	Kandesh Extraction	1	2.10
57.	Bhivandiwalla	1	2.09

	1	2	3
58.	Shalimar Chemicals	1	2.00
59.	Oswal Oil Mills	2	2.00
60.	Mahakali Oil Mills	1	2.00
61.	Sundatta Foods	1	1.95
62.	Deepak Enterprises	1	1.95
63.	Capital Flour	1	1.70
64.	EID Parry	1	1.35
65.	Malwa Vanaspati	1	1.31
66.	TGL Shetty	1	1.29
67.	Mansinghka Oil	4	1.17
68.*	East Coast Agencies	1	1.00
69.	Bansal Oil	1	1.00
70.	Razak Oil	1	1.00
71.	Sanjiv Traders	3	1.00
72.	Tanna Exports	1	0.99
73.**	Peanut Products	2	0.95
74.	Lakhamji Ghellabhai	1	0.50
75.*	Tanna and Sons	1	0.49
76.	Usha Transport	2	0.43
77.	Kapadia Trading Co.	2	0.35
78.	Kapadia Oil Mills	2	0.35
79.	Kapadia Stores	1	0.35
80.	Total	132	406.15

* Replies not received.

** Replies not available for some licences.

APPENDIX - E

Proforma Given by the CCI&E to the
Licensees for Reporting Utilization

1. Name of the firm & Address:
2. Licence/licences No. & Date and value of licence(s)-itemwise.
3. Actual imports made upto date:
4. Value of irrevocable letter of credit opened to date.
5. Firm orders placed or firm commitments made in any way other than Sl.No.4 above (documents in support to be produced).
6. Actual import programme already arranged for import of edible oils.
7. Whether any letter of credit opened and subsequently cancelled and reasons thereof.
8. Efforts made to utilise the licence.
9. Explanation for failure to make imports against the licence.

DECLARATION

I/We declare that the information furnished above is absolutely true and I/we have not suppressed any information. I/We are aware that any misdeclaration or suppression of information will render us liable for action under the I.T.C. Order, 1955 as amended from time to time.

Date _____

Signature _____

Name of the
person.

APPENDIX - F

An Illustrative List of Agreements for Import of Edible Oils

Sl. No. of the Importing Company	Nature of Oil and Licence	Date of issue of licence	Date of contract	Broker	Qty. (M.T.)	Rate C.I.F. Bombay	Shipment	Country	Seller
1		2	3	4	5	6	7	8	9
<u>Crude Rapeseed Oil</u>									
1. Wena Transport		14.2.77 (i)	27.4.77)	Jamnadas	250	\$ 850	May/June	U.K.	W. S. Madhavji
		30.3.77 (ii)	6.5.77)	Madhavji	250	\$ 780	June/July		- do -
			(iii) 6.5.77)		250	\$ 750	July/August		- do -
2. Mansingka		26.2.77	10.5.77	Marshall	500	\$ 800	July	France	M/s. Societe Sedipa.
3. General Foods		22.2.77	10.5.77	Armex	250	\$ 795	July	Switzerland	M/s. Prospector S.A.
<u>Refined Rapeseed Oil</u>									
1. General Foods		22.2.77	16.2.77	Marshall	250	\$ 683	March/10th April	France	M/s. Francehuil
			24.2.77	- do -	250	\$ 685	1st-20th March	Switzerland	M/s. Oleo Trading S.A.
			4.4.77	- do -	500	\$ 801	15 May to 15 June	France	M/s. Francehuil
			12.4.77	- do -	250	\$ 830	April	Switzerland	M/s. Finagrain
			28.4.77	Armex	200	\$ 880	May	Switzerland	M/s. Prospector S.A.
5. Union Industries		15.3.77	28.4.77	Valjee Shanjee	250	\$ 920	April/May	U.K.	Rayner & Faure Ltd.
6. General Foods		22.2.77	3.5.77	Marshall	250	\$ 895	May/June	Switzerland	Oleo Trading S.A.
7. Shivdewale		14.2.77	4.5.77	Marshall	200	\$ 915	15th May/ 15th June	Rotterdam	M/s. Algemeen Oliehandel Int
			28.5.77	- do -	200	\$ 885	June/15 July	Switzerland	M/s. Oleo Trading S.A.
<u>Palm Oil</u>									
8. Sanyal Traders		15.2.77	8.2.77	Armex	250	\$ 630	April/May	Malaysia	M/s. Patel Holdings
9. Pata Oil		3.2.77	14.2.77	Armex	100	\$ 650	March/April	Malaysia	M/s. Patel Holdings
10. Winchester Indus		7.2.77	14.2.77	Armex	100	\$ 650	March/April	Malaysia	M/s. Patel Holdings
11. Sanyal Oil Mills		17.2.77	14.2.77	Armex	250	\$ 650	March/April	Malaysia	M/s. Patel Holdings
12. Sanyal Oil Mills		15.2.77	22.4.77	Armex	100	\$ 805	July	Malaysia	M/s. Patel Holdings

(Continued Appendix-F)

Sl. No.	Nature of toil and Nature of the Importing Company	Date of issue	Date of Contract	Broker	Qty. (M.T.)	Rate C.I.F. Bombay	Shipment	Country	Seller
1		2	3	4	5	6	7	8	9
13.	<u>Refined Soyabean Oil</u> Bhiwandiwalla	14.2.77	12.5.77	Coil & Sons	250	\$ 825	June/July	U.S.A.	Continental Export Corpn
14.	<u>Soyabean Oil</u> General Foods	22.2.77	14.5.77	Marshall	500	\$ 842	15th July/ 15th August	U.S.A.	Bunge Corporation
15.	<u>Refined Groundnut Oil</u> Mulji Devshi	5.3.77	25.5.77	Marshall	350	\$1010	15th June/15th July	Malaysia	Panachand & Co.
16.	<u>Copra</u> Raj Oil Mills	14.2.77	9.2.77	Nathubhai Cooverji	50	Rs. 4,000/-	February	Malaysia	Panachand & Co.
17.	<u>White Coconut Oil</u> L.D. Traders	2.3.77	25.5.77	Trituve	100	\$ 780	July	Malaysia	Manilal Holdings.

Some Extracts from Important Reports

1. National Commission On Agriculture

22.1.1 Oil of vegetable origin is derived not only from oilseed crops but also from cotton seed, rice bran, maize corn, coconut, oil palm and oil bearing herbs, shrubs and trees. Tobacco seed also yields oil, but most of the tobacco varieties are topped*. Among the new crops, soya-bean and sunflower are showing a good promise. The already established crops are groundnut, sesamum, niger and castor in the kharif season and brassicas, linseed and safflower in rabi. From area point of view, groundnut is most important occupying about 7 Mha. Next in importance is the brassica group of crops occupying about half as much area as groundnut. The area under sesamum and linseed is about 2 Mha each, while the other crops occupy less than 1 Mha each. The utilisation pattern of these crops is given in Appendix - 22.1 - Statements I and II. Groundnut brassicas, sesamum, safflower and niger oils are mainly utilised for edible

* only virginia tobacco is not topped at present and, therefore, Andhra Pradesh has been producing on an average about 4,000 tonnes of oil annually from this tobacco. However, the trend in Virginia tobacco is also in favour of topping and, therefore, this source of oil is doubtful in future.

purpose, while linseed and castor oils are mainly put to non-edible uses (linseed for paints and castor for lubrication). Some quantity of groundnut and sesamum oils also goes for various domestic uses and for the manufacture of soap. The consumption of oils of vegetable origin is expected to increase so much that, despite improvement in yields, it will become imperative to increase area under various oilseed crops to the maximum possible extent.

22.1.2 Oilseeds have been considered all in one group, in the research as well as developmental activities. Research work on the improvement of oilseed crops in India dates back to the early days of the founding of the IARI and it followed the usual historical pattern common to other crops. The Indian Central Oilseeds Committee sponsored research projects in the State Departments of Agriculture, Central institutes and basic universities in the shape of ad-hoc schemes. These schemes underwent modifications at two stages, first as integrated schemes and subsequently on a cross commodity integration basis under the title of PIRRCOM (Project for the Intensification of Regional Research on Cotton, Oilseeds and Millets). The All-India Coordinated Research Project on Oilseeds came into being in 1968. A cropwise list of research problems, of which the scientists are already aware is given in Appendix 22.2 - Statement I under the three

classes, viz., (a) research work already in an advanced stage, (b) research work initiated, but needs to be intensified and (c) research work which is still to be started.

The problems are comprehensive enough and it should be clear that these are either already engaging attention or are such which could easily be included in the future five year plans in the usual course in the existing research institutions and agricultural universities. Some of these might even come up in our consideration in the succeeding paragraphs according to the trend of discussion. The important results obtained thus far can be summarised in the following manner:

- (i) An extensive interchange of germplasm and breeding material has taken place among the various centres of research on oilseeds. This has facilitated the hybridization programme to increase genetic variation. Each centre is expected to evolve its own finished variety appropriate to its agroclimatic conditions. Besides the yield of oilseeds, the production of oil per unit time and per unit area has also been brought into consideration. About 18 high yielding varieties or hybrids of oilseeds have already been evolved.

(ii) In the oilseed crops, particularly in groundnut and mustard, it has been demonstrated by research groups that the application of the nitrogenous fertilisers through foliar sprays is desirable both in the context of the saving in fertiliser involved and in its application to unirrigated areas. Nitrogenous fertilisation to groundnut has been on the very low side in spite of research recommendation. This is presumably based on the assumption, that, as a leguminous crop, it does not require exogenous addition of nitrogen, but experiments show that 15 to 40 kg/ha of nitrogen application can prove very useful to this crop. Considerable amount of this nitrogen can be saved if one half of the dose is applied to the soil and other half as a foliar dose. Likewise, in mustard cultivation, application of 40 or 60 kg/ha to the soil followed by 20 kg of nitrogen as foliar gives the same order of yields as 120 kg of nitrogen applied to the soil. There is thus a saving of 40 to 60 kg of nitrogen per hectare. Under rain-fed cultivation, when irrigation availability during the second soil application is scarce, the foliar application has an added advantage.

- (iii) It has been established in the case of groundnut that yield as well as quality of kernels can be considerably enhanced by the application of minor elements, particularly zinc and boron. Application of gypsum to groundnut crop has been found beneficial at the pegging stage. In the case of other oilseeds, conclusive results have not yet been obtained except for the application of sulphur to rapeseed and mustard. In the case of sesamum, beneficial effect of application of manganese sulphate has been demonstrated in Tamil Nadu.
- (iv) In soils with low pH, groundnut yields can be enhanced by periodical application of lime.
- (v) Research groups have very effectively demonstrated that, in the kharif oilseeds and particularly in groundnut, weed free fields can produce as high as 100 per cent more yields than those where weeds were allowed to grow. Effective weedicide schedules have also been evolved.
- (vi) Productivity of oilseeds could be increased by eliminating patchy stands. Various recommendations have been evolved to ensure full stand in different oilseed crops. In groundnut, seed dressing and

soil application of insecticides and fungicides is important; in rapeseed and mustard spray application of insecticides; in linseed growing the rust and wilt resistant varieties; and in castor to release of parasites for the biological control of the pest.

22.1.3 The Oilseeds Development Directorate has drawn up programmes to popularise some of the recent results of researches during the Fifth Plan period. These are mentioned below:

- (i) It is envisaged to cover 15 districts in 9 States and saturate at least 75 per cent of their area with a complete package of practices. This will be done by (a) ensuring supply of seeds of improved varieties, (b) making available inputs in time to every farmer, (c) organising plant protection measures on a campaign basis, (d) laying out problem oriented demonstrations, and (e) providing technical advice and services. The area thus covered will be: groundnut 1.36 Mha (Andhra Pradesh, Gujarat, Madhya Pradesh, Maharashtra, Karnataka, Tamil Nadu, Punjab and Uttar Pradesh), castor 0.17 Mha (Andhra Pradesh and Gujarat) and brassicas 0.04 Mha (Haryana).

(ii) On foliar application of fertilisers, 10,000

hectares are proposed to be covered under groundnut in Andhra Pradesh, Karnataka, Tamil Nadu, Gujarat, Maharashtra, Madhya Pradesh, Uttar Pradesh and Rajasthan. Another 4,000 hectares are proposed to be covered under brassicas in the States of Uttar Pradesh, Rajasthan, Punjab, Haryana and Madhya Pradesh. Insofar as the application of minor elements is concerned, groundnut has been selected to begin with. It is proposed to cover about 50,000 hectares with the application of zinc and/or boron in the States of Andhra Pradesh, Karnataka and Tamil Nadu.

(iii) About 54,000 hectares are proposed to be covered by liming the groundnut fields in some selected districts of the States of West Bengal, Bihar and Orissa.

(iv) On the plant protection side, the following programmes have been envisaged:

Crop to be protected	State	Area to be covered every year (ha)
Groundnut against red hairy caterpillar, leaf miner and aphids	Punjab, Uttar Pradesh, Madhya Pradesh, Gujarat, Maharashtra, Karnataka, Andhra Pradesh, Tamil Nadu	48,000

Groundnut against white grub	Uttar Pradesh, Gujarat, Andhra Pradesh	12,000
Brassicas	Punjab, Haryana, Rajasthan, Uttar Pradesh, Madhya Pradesh, Bihar, Orissa, West Bengal, Assam	210,000

22.1.4 In all the above mentioned programmes, it is significant to notice that there has been too much emphasis only on two crops, viz., groundnut and brassicas. There is need to correct this position so that the yields of all the concerned crops could be increased to maximum possible extent. Many of the known results can be extended with advantage to other oilseed crops and in the case of the major two crops, there is need to extend the results of proven utility to all the area at a much faster rate, because the programme even of the Fifth Plan period covers but a small fraction. The breeding programmes to introduce 'resistance' as well as plant protection work have also to be invigorated, because most of the major oilseed crops are affected by several pests and diseases in field as well as in storage and specific remedies are few. If these defects are removed, there should not be any difficulty to increase production in respect of all crops. In fact, due to the existing neglected state of many of the oilseed crops, their yield standards are very poor and, therefore, there is a vast scope for effecting improvements. This will be

indicated properly for different crops when these are examined below individually. To facilitate such an examination, Statewise statistics relating to area and production, based on the three years 1969-70 to 1971-72, are summarised in Appendix 22.1 - Statement III for all the crops. Percentage area irrigated during 1969-70 has also been indicated in the case of groundnut and brassicas; other crops are not ordinarily irrigated.

Groundnut

22.1.5 There was a time when special efforts to introduce groundnut were made much the same way as is being done at present for soyabean and sunflower. The crop occupied only 110,000 ha in the beginning of the present century and from that nominal extent it now commands a domineering position in the vegetable fat economy of the country by being grown over an area of 7.23 Mha. The share of the different States in the total area and production of this crop is shown in Appendix 22.1 - Statement III. There are 5 major producing States, viz., Gujarat accounting for 24.4 per cent, Andhra Pradesh 20.2 per cent, Tamil Nadu 13.5 per cent, Maharashtra 12.2 per cent and Karnataka 12.0 per cent of all-India area. Madhya Pradesh, Uttar Pradesh, Punjab, Rajasthan and Orissa are other States which together account for 17.3 per cent of area, their individual range being

between 1 per cent (Orissa) and 6.2 per cent (Madhya Pradesh). It would be useful to consider the distribution of groundnut area according to different types of rainfall patterns of the south west monsoon months. It is observed that the area, which lies between A4 and B2 categories of rainfall patterns, is 20.7 per cent, between B1 and C1 74.6 per cent and between D4 and D1 4.2 per cent of the total. The performance of the crop in different rainfall categories of the SW monsoon months has been examined for 117 districts where the crop occupies 10,000 ha or more per district (Appendix 22.1 - Statement IV). The chief features which emerge are as follows:

- (i) There are in all $47\frac{1}{2}$ districts within A4 to B2 category of rainfall. The Relative Yield Index (RYI) is below 90 in $28\frac{1}{2}$ districts, indicating thereby that the crop suffers due to excess moisture in many places. B2 type has the maximum number of districts in this group viz., 22, out of which 14 have RYI of 90 or less.
- (ii) Punjab, Andhra Pradesh and Tamil Nadu take the crop within the rainfall categories of B1 to D1. It is interesting to examine their RYI:

Number of districts in different rainfall patterns commencing with

		B1	C4/C3	C2	C1	D4/D3	D2	D1
Punjab	RL	..	..	..	..	..	..	..
	RH	1	3	2	..	..	..	..
Andhra Pradesh	RL	..	2	..	2	..	..	..
	RH	3	3	1	3	..	..	..
Tamil Nadu	RL	..	..	..	..	..	..	..
	RH	..	..	6	1	1	2	1
Total ..		RL	..	2	..	2	..	.. )
		RH	4	6	9	4	1	2) 31

RL -RY1 90 or less; RH-RY1 more than 90.

All these three States irrigate their crop : Punjab to an extent of 16.4 per cent, Tamil Nadu 13.3 per cent and Andhra Pradesh 12.5 per cent. Punjab's crop is confined between B1 and C2 categories. There are three districts, in which the months of July and August in this State have a rainfall distribution of B1 or C2 and there are 3 other districts which have C4/C3 type of distribution. All the 6 districts have a satisfactory performance which is due to (a) resort to irrigation wherever necessary, (b) taking early maturing varieties which can finish their best part of growth in July and August in B1, C1 or C2 areas and (c) taking the

late varieties, which are usually better yielders, in C4/C3 areas, preferably starting them a little early with irrigation. Insofar as Andhra Pradesh and Tamil Nadu are concerned, their areas get rainfall during the northeast monsoon period also, and, therefore, this gives the high yielding late varieties a better chance for growth. Because of this and support of irrigation in some parts, the performance of the crop is satisfactory in majority of the cases.

(iii) In contrast with Punjab, Andhra Pradesh and Tamil Nadu, there are other three States of Gujarat, Maharashtra and Karnataka which also have their areas falling in B1 to C2 category of rainfall during the SW monsoon period. The frequency distribution of concerned districts in the two ranges of RYI is indicated below:

		B1	C4/C3	C2
Gujarat	RL	5	..	..
	RH	2	..	..
Maharashtra	RL	7	1	2½
	RH	2	½	..
Karnataka	RL	1½	1	1½
	RH	..	1	1
Total	RL	13½	2	4) 26
	RH	4	1½	1)

it could be seen that in majority of the cases the RYI is 90 or less.

- (iv) Karnataka has 5 groundnut districts in C1 and D4/D3 category of rainfall in the SW monsoon season, C1 usually being the month of September. The performance of all the 5 districts is satisfactory. Just like Tamil Nadu and Andhra Pradesh, these also have the advantage of rainfall in the post-monsoon months of October and November.

22.1.6 On the basis of foregoing, one can summarise that the performance of the crop in higher rainfall areas is a little depressed wherever drainage becomes an insurmountable problem. In lower category of rainfall areas lying between B1 and C2 types, where the rainfall is confined to the four months of SW monsoon season, the performance of the crop is usually less than all-India unless supported by some irrigation in times of need. Rainfall is not the only reason for the high or low performance of the crop. It has spread over all kinds of suitable and unsuitable lands in course of time and, therefore, the soil factor also becomes very important locally. To begin with, the yield of this crop was of the order of 1.2 tonnes/ha in the twenties. The range of productivity got reduced to 1.0 to 0.8 tonnes/ha by

early forties and this has varied between 0.5 and 0.8 tonnes/ha between then and now. The present average all-India yield is 0.78 tonnes/ha. The spread of the crop to less fertile and marginal lands is surely one of the causes of this decline.

22.1.7 In future strategy with respect to this crop, one has to take note not only of its continued role in the manufacture of hydrogenated oil, but also in the possible manufacture of vegetable milk. Considering that the crop is already occupying about 7.5 Mha and that it has got extended even to unsuitable areas, very great area increases do not seem to be possible. Even then, the area under this crop in 2000 AD can be kept at 9 Mha. In this further extension, it is going to be difficult to vouchsafe the allotment of only ideal lands to this crop and, therefore, emphasis will have to be laid in future on obtaining maximum possible returns by developing separate agronomic techniques for different soil conditions. Although the existing distribution of the crop has to be accepted as such, yet the fact has to be taken note of that this crop does not do well under high rainfall conditions and, therefore, it will be good if further area is extended in the rainfall category B2 to C4/C3 insofar as the areas served only by SW monsoon are

concerned or in areas of the south where September to November usually gets C2 D1 or C1 D2 type of rainfall at least. It will be difficult to provide irrigation to this crop in future too. The maximum irrigation, which can be earmarked for it, will be for an aggregate area of 1.85 Mha only. This provision has been made not for raising the crop exclusively with irrigation water in any particular area but for making a provision of a little timely support at critical times in the growth of the crop, when rainfall happens to fail. One such stage is the time of peg formation. A summer crop of groundnut is known to give better yield, but as the availability of irrigation water is limited for this crop, it could be examined whether the crop could be given an early start in the kharif season with the help of irrigation at least in some project areas. Even though most of the area will continue to be rainfed, it should not be difficult to reach and even slightly improve upon the originally attained standard of 1.2 tonnes/ha. The depression, which has been caused due to cultivation on poor soils can be offset by measures like (a) improvement of drainage in high rainfall areas, (b) water conservation techniques in less rainfall areas, (c) adjustment of growing season to fit into rainfall rhythm of different places, and (d) increasing plant density per unit area. The yield target for

2000 AD may be put at 1.5 tonnes/ha.

Sesamum

22.1.8 The present all-India area under sesamum is 2.38 Mha, production 0.48 million tonnes and yield 0.21 tonnes/ha. The parts of the country which grow this crop are about the same as in the case of groundnut with the difference that the concentration of groundnut is more in the Peninsula, whereas this crop is found more in the north as borne out by Appendix 22.1 - Statement III. Rajasthan, Uttar Pradesh and Madhya Pradesh account for about 62 per cent of the all-India area. The crop is taken rained almost everywhere. The percentage of area accounted for by different rainfall categories to all-India is : A4 to B2=64, B1 to C1=31 and D4 to D1=2 per cent. The area in the higher rainfall categories predominates in the States of Uttar Pradesh and Madhya Pradesh. There are 154 districts in which the area under this crop is more than 1,000 hectares per district. Their frequency distribution with respect to RYI under different rainfall categories is given in Appendix 22.1-Statement V. The RYI in the higher category of rainfall between A4 and B2 types is less than 90 in 44 districts and greater than 90 in 41 districts, showing

that the crop suffers in places due to excess rainfall wherever drainage conditions lack. The crop seems to do well in moderate conditions of rainfall represented by B1 to C1 category. The distribution of districts in this category is summarised below:

States	RL	RH
Rajasthan, Uttar Pradesh, Madhya Pradesh	9	3
Gujarat, Maharashtra	1	19
Karnataka, Andhra Pradesh, Tamil Nadu	9	23
Total	19	45

RL = RYI of 90 or less. RH = RYI of more than 90

There is one district in Karnataka and 4 in Tamil Nadu which fall in D4 to D1 and their RYI is above 90. The south, as usual, has the advantage of September to November rainfall also. This suits the crop to be taken in rabi season. In fact, this crop is raised in all the three seasons in some parts. It can suit as a filler crop in many areas depending upon agroclimate conditions and crop rotations. The oil needs of the country will make it necessary to increase the area under this crop and this could be done in the rainfall zones covered by B1 to C1 types of patterns. The total area under this

crop could be aimed at a level of 3 Mha. There is room for making substantial improvement in the yield standards of the crop and it should be possible to attain an average all-India standard at least thrice the present level, i.e., 0.60 tonnes/ha by 2000 AD. In this endeavour, maximum attention will be needed in all parts of the country and the main strategy will once again have to be that of improving drainage conditions in high rainfall areas and better utilisation of rainfall facilities elsewhere.

Niger

22.1.9 Madhya Pradesh has about 50 per cent of the all-India area under niger but the yield is only 0.18 tonnes/ha. Bihar, Orissa and Maharashtra are also important producing States. Bihar and Orissa yields are of the order of 0.4 tonnes/ha. These four States put together account for about 92-93 per cent of area and production (Appendix 22.1- Statement III). The present area of 0.48 Mha could be trebled and stabilized at 1.5 Mha by extending cultivation into the wheat fallows in Madhya Pradesh. The all-India average yield is 0.24 tonnes/ha. The aim should be to double it, which in terms of Madhya Pradesh will mean near about trebling its yield. Ethiopia grows a better yielding variety of niger, which could be tried under Indian conditions.

Castor

22.1.10 There are no limitations to castor growing anywhere in India, but as borne out by Statement III of Appendix 22.1, some specialised pockets have developed mostly in Andhra Pradesh and to a much lesser extent in Gujarat. Andhra Pradesh has 70 per cent of all-India area, but its average yield is only 0.20 tonnes/ha. The yield in Andhra Pradesh has been about this figure between 1966-67 and 1972-73. In 1973-74, the yield rose to 0.32 tonnes/ha, but it is difficult to draw any inference just on one or two years' performance and even otherwise the latest achievement is much lower than what is obtainable in Gujarat. Gujarat has 11 per cent of all-India area and its yield is 0.72 tonnes/ha, the all-India average being 0.34 tonnes/ha. India is one of the major producers of castor seed ranking next only to Brazil, accounting for about 28 per cent of the world production, and for this reason, castor plays a significant role in the country's export trade. We have envisaged increased silkworm rearing activity vide Chapter 26 on Sericulture and in this context also, more and more castor will be required to be grown for feeding criworms. It is necessary to increase the present area of 0.42 Mha under castor to 1 Mha. It is also necessary to effect improvement in the yielding

capacity of the crop. Brazil already records yields of 1 tonnes/ha or more and even in India, some of the newly evolved short duration varieties like Aruna, GCH-3, SA-I and SA-II possess a similar potential, the duration of maturity being 135 - 150 days. Gujarat and Orissa already record yields of about 3/4 of a tonne per hectare and, therefore, the future targets can easily be kept at 1 tonnes/hectare.

Brassicas

22.1.11 The oil bearing members of the brassica group are cultivated in the entire country outside the Peninsula, with Uttar Pradesh as the most important State in this regard (Appendix 22.1 - Statement III). The use of this oil for various domestic, edible as well as non-edible purposes is very common in the belt comprising Punjab, Haryana, Uttar Pradesh, Bihar, West Bengal and Assam. The total area under this crop (3.36 Mha) comes only next in importance to groundnut. Although the cultivation of brassicas synchronizes with the main wheat belt in general, yet Uttar Pradesh alone accounts for about 65 per cent of the all-India area. Wheat-brassica mixture is a prevalent crop combination and wherever it is so taken, this crop

automatically gets the advantage of tillage, irrigation and manuring as accorded to wheat. When a pure crop is taken, the practice of irrigation varies in places; it is irrigated some-where and not irrigated elsewhere. The proportion of irrigated area varies between 30-60 per cent in Rajasthan, Haryana and Punjab. The irrigated area under this crop in Uttar Pradesh is insignificant. Herein lies one major constraint, removal of which can contribute considerably towards raising the production levels. The irrigation target for this crop could be put at 50 per cent of the total area as against a mere 8 per cent as at present. With this favourable factor accompanied by other scientific improvements, it should be possible to double the yield level which has not gone beyond half a tonne per hectare on the average in the recent past. The area could be stabilised at 4 Mha representing just a small increase of 0.6 Mha. It is natural to expect that in consonance with the dominant position of the crop in Uttar Pradesh, at least half of this crop should be raised under irrigated conditions and farmers will not grudge it because of the price differential in favour of mustard group of crops in comparison with wheat. The mustard prices (Kanpur) have been Rs. 100 to 125 per quintal higher than wheat (Hapur) between 1969-70 and 1972-73.

Linseed

22.1.12 The area occupied by this crop is 1.88 Mha. It is grown in most parts of the country, but the major States are Uttar Pradesh, Madhya Pradesh and Maharashtra as borne out by Appendix 22.1 - Statement III. It is mostly used for inedible purposes and there is room for increasing its yield to about half-a-tonne per ha (i.e., twice the present level), owing to which it is not necessary to effect much increase in area. The area could be kept at 2 Mha, which is about the same as at present.

Safflower

22.1.13 The quality of safflower oil is rated to be high for edible purposes because of very low poly unsaturated fatty acid content. The oil is often used even for adulterating ghee and sesamum oil, Although grown in many parts of the country. Maharashtra has the largest area followed by Karnataka and Andhra Pradesh (Appendix 22.1 - Statement III). It comes up well under rainfed as well as irrigated conditions but is usually taken on dry lands. Safflower sown with the backing of September moisture has great potential for area expansion in lands, which are generally left fallow at present during rabi season, e.g., paddy fields after

the harvest of paddy. It can be a fit substitute for lathyrus in Madhya Pradesh, Biha. and West Bengal. The area can easily be increased to 2.0 Mha and the yield 0.5 tonnes/ha (present figures are 0.59 ha and 0.24 tonnes/ha respectively). It will not be difficult to achieve the yield target with the development of better varieties in future suitable for different tracts and conditions.

Soyabean

22.1.14 Soyabean is a crop of dual advantage. It has 15-20 per cent of oil. It is highly rich in protein content also (40 per cent). This crop is very popular in the USA and China. The main problem here is that the exotic varieties like Bragg have poor seed viability because of skin cracking. There is also the further problem that this variety has to be sustained by the oil and the soymeal market. Where as oil can be easily marketed, the meal at present is utilisable only in particular trades and the bulk of it has to be exported as cattle feed. Therefore, world cattle feed market controls the price of soyabean. Thus, the profits are uncertain on the one hand and the cost of cultivation is high on the other, being about Rs.800 per hectare; both these factors act as a deterrent for

the crop to be adopted in general. The cost of cultivation is high because of high seed rate (75 kg per hectare) coupled with high price of seed (about Rs.240 per quintal). In addition, the cost of specific rhizobial culture, which is essential to inoculate the soil for the success of the crop, also increases the cost of cultivation. Some time back there was even dearth of the needed Rhizobium strain. However, the IARI is now capable of producing the necessary quantity of this culture. Another reason to hold up the popularity of the crop is that, but for a few manufacturers of baby food or protein biscuits, the protein aspect of soyabean has not been fully utilised in this country, which also limits the margin of profit.

22.1.15 The Government has been providing 25 per cent subsidy on the cost of seed and insecticide. It has been rendering free technical advice on cultivation techniques. The Government has also been giving some price support for the crop. It is often argued that some more incentives and concessions should be provided by the Government for the successful adoption of this crop in the country. We are of the opinion that the crop should be made to develop purely on the basis of economics and utility. Besides the disadvantages with the exotic varieties, which have already been mentioned

above, the basic fact which has often been overlooked is that the exotic varieties are not easily consumed as pulses in the country. Thus, these varieties suffer when there is a glut in the oil or meal market, as they also lack the alternative of disposal as pulse. The effect of this is well reflected in the fact that the area, which was actually covered by the crop during 1973-74, was only 100,000 ha as against the target of 400,000 ha fixed for the States of Madhya Pradesh, Maharashtra, Gujarat and Uttar Pradesh as a part of a Centrally sponsored programme. The remedy lies in changing the strategy from introducing the exotic varieties to selecting some of the indigenous varieties and making them popular. There is a lot of soyabean production in the hilly areas of this country, specially in the Himalayan hills. This soyabean is well relished as a pulse by the hill population. Recently, some varieties from the hills were introduced with success in the black cotton soil of Madhya Pradesh; this provides a ray of hope and a new direction to plan future strategy. Selecting indigenous varieties and effecting improvement in them is well worth a trial. Alongside, more avenues of soyabean utilisation have also to be found out. It will be desirable to think of measures whereby people are able to accept wheat flour duly fortified with

soyabean flour. Such blended mixtures may prove better from nutrition point of view than pure wheat flour. Putting to use soyabean flour and meal in confectionery articles is another direction. Then, soyabean has a potential to be utilised as a substitute for milk. Soyabean constituents are such that it is possible to prepare a liquid similar to milk in consistency, composition and other properties. Even curd of good quality can be prepared from soyabean milk. Successful trials have already been made in this regard on soyabean. What remains to be done is that research, production and publicity work relating to soyabean milk should be made as widespread as possible.

22.1.16 Just like blackgram, soyabean is also comparatively a high water requiring crop fitting satisfactorily in A2-B2 categories of rainfall. It can serve as one of the alternatives to paddy wherever rainfall is high enough but not sufficient for paddy. It is worth trying as a substitute to pulses like horsegram wherever irrigation facility could be made available even in otherwise less rainy areas. An area of one million ha can be earmarked for this crop. Assuming and yield of 1 tonne/ha, the yield from the crop will be 1 million tonnes. The entire crop will not be available for crushing because of allowance for seed,

wastage and even direct use for various edible purposes including soyabean milk. One may assume that 50 per cent of the produce may be available for crushing. With an oil recovery of 15 per cent the oil yield from this source will be 75,000 tonnes. In order not to give any chance to setback in future, the researchers will have to see that the future varieties are resistant to diseases, specially mosaic, to which the existing varieties have been found to be prone despite the best efforts of institutions like Govind Ballabh (GB) Pant University of Science and Technology, Pantnagar, Jawaharlal Nehru Krishi (J N K) Vishwa Vidyalaya, Jabalpur and the All-India Coordinated Research Project on Soyabean.

Sunflower

22.1.17 Floral varieties of sunflower have always been known in the country, but the significance of this plant as a source of oil came to foreground only when oil-rich Russian varieties attracted attention. Seed of oil-rich varieties has an oil content as high as 45 to 50 per cent. The quality of oil is also good even from nutritional considerations on account of having a high percentage of poly unsaturated fatty acids (60 per cent). It has a low seed rate of 10 kg per hectare. The crop has a short duration of about 90 days and it can grow any time of the year. It is

adaptable to different soil conditions and can grow even under saline conditions. The plant grows luxuriantly under irrigated conditions, but it can also give a fair degree of performance under stress conditions. Its yield with irrigation is as high as 3.9 tonnes per hectare. It can be grown satisfactorily as a kharif crop in areas where rainfall is 20 cm or more per month in one or two months out of a total of four rainy months of June-September. Its seed can be crushed in conventional village ghanies, baby mills and large-scale extraction plants. Owing to these advantages, the crop has an easy acceptance.

22.1.18 Two quintals of 4 varieties of sunflower seed were imported in 1968-69 from the USSR. In a matter of 4 years, the crop has come to occupy an area of 80,000 ha and it is expected to cover 930,000 ha by the end of the Fifth Plan. However, poor yield derived from the crop at present is a handicap to farmers. Small number of seeds, which set in the floral heads, does not prove to be very viable, because of which the germination percentage is also reduced. Seed-setting is found to improve with increased bee-pollination and for this purpose, beekeeping is made a necessary accompaniment to sunflower cultivation in Russia. Some preliminary data collected by the Directorate of Beekeeping,

Bombay (Khadi & Village Industries Commission) also tends to indicate the same. This is an encouraging result which requires to be thoroughly established with extensive experimentation under Indian conditions. It is likely that the problem of viability of seeds may be linked with the efficiency of pollination and, therefore, this also needs study alongside. The scope of the study could be extended to include the possibility of exploring other related problems, on which may depend an answer to better yields and better quality. The oil content of seed could also profitably be increased through further breeding efforts. It is pertinent to mention at this stage that, if effective cross pollination is one of the major factors in bettering yield standards, our recommendation in Chapter 27 on Apiculture to take all possible steps for the protection and proliferation of honeybees might prove very beneficial, when implemented. The popularity of this crop is bound to grow with these steps. Consequently, a target area of 2.0 Mha should be earmarked for it. It may, however, be noted that it would not be possible to allocate more than 0.75 Mha of irrigated area to this crop. Therefore, the remaining area of 1.25 Mha will have to be taken rained with the possibility of sunflower being raised as an early kharif crop in general (wherever, possible)

and late kharif crop with the help of September-October rains in the south. Considering (a) an yield level of 1 tonne/ha, (b) 90 per cent of the produce being available for crushing, and (c) oil recovery of 40 per cent, the oil yield will be 720,000 tonnes.

A Composite Look

22.1.19 The existing and proposed position of area and yield of oilseed crops is put at one place in Appendix 22.1 -Statement VI. The quantity of oil which will accure from the field crops has been calculated in Appendix 22.1 -Statement VII. It may be seen that an area of about .9 million hectares has been added to the existing area under oilseed crops and the yield level has generally been raised by two to three times. The total oil recovery from the field crops is expected to be 6.42 million tonnes. Another 3.26 million tonnes could come from the exploitation of cotton seed, rice bran, maize and bajra, coconut, oil palm and nature grova trees and shrubs as explained in Appendix 22.1 -Statement VIII. It has to be noted in the case of field crops that neither further area increase is possible, because of the requirements of many other crops, nor there is possibility of further bettering the yield standards keeping in view that many of the oilseed crops

will continue to be raised rainfed and groundnut and brassicas have already engaged ample attention from research workers. Therefore, it is imperative that relentless efforts are made to tap the sources other than field crops. Some of the important points to be borne in mind in this regard are considered below:

Cotton Seed

- (i) The Government had given upto February, 1975 an excise rebate of Rs. 200 to 250 per tonne up to 30 per cent of the utilisation of the cotton seed oil in hydrogenated oil industry. This has been revised with effect from 1-3-1975 to range from Rs. 200 to 250 for utilisation percentages of 30 to 50 and Rs. 200 for utilisation of more than 50 per cent of cotton seed oil. Despite such an impetus, the seed crushed has been only about 30 per cent of the total availability in recent years. There are two reasons for this kind of low utilisation. Firstly, the Indian farmer is accustomed to feed his animals, specially milch animals, with whole cotton seed and, therefore, he does not release much quantity for other use. Secondly, there is the problem of disposal

of cake. The Government of India had been giving liberal export entitlement or it has given even cash incentives recently to enable the exporters to compete in the world market. Such concessions were withdrawn from April 1971, because of which the required quantity of cake could not be exported. This had an adverse effect on oil production within the country. One hundred and ten thousand tonnes of oil was produced in 1970, whereas the quantity produced in 1972 was only 75,000 tonnes. Both these draw single step and that is through the popularisation of cotton seed cake for livestock feeding instead of the whole seed. This lies in the sphere of extension agencies both of the agricultural universities as of the State Departments of Agriculture and Animal Husbandry, and they must not leave any stone unturned in popularising cakes for livestock feeding. It will be of interest to note that feeding trials with cake have shown that it is not inferior to seed. In fact, it is not desirable to feed live-stock with seed, because it causes stomach disorder due to scouring. The decorticated cake contains 34 to

38 per cent digestible proteins as compared to 17 per cent in the seed.

Rice Bran

- (ii) About 6 per cent of the total available quantity of bran is utilised at present for oil extraction. This is despite many fiscal incentives, which are offered at present for the use of rice bran oil. In soap manufacture, a suitable excise rebate per tonne of soap is offered for each additional percentage point increase in the use of rice bran oil over a specified level. It was Rs. 1.50 per tonne of soap for each additional percentage point increase over 15 per cent upto July, 1973. With effect from March 1975, it is Rs. 3.50 per tonne of soap over 25 per cent and in the intervening period it has risen even to Rs. 7.50 for a percentage level of 15. In the manufacture of hydrogenated oil, an excise rebate of Rs. 100 per tonne of oil used is offered subject to its being in excess of 1 per cent. Here again, a major factor which is responsible for denying the bulk of the quantity for oil extraction is the practice of feeding bran to livestock and

it is forgotten once again that the deoiled bran in itself constitutes a rich concentrate for cattle and poultry. However, it is appalling to note that there is no market even for the modest quantities of deoiled bran which becomes available at present from the industry. Deoiled bran is being exported currently, the quantity was nearly 70,000 tonnes in 1968 as against a production of 93,000 tonnes. Just like cottonseed cake, popularisation of feeding live-stock with deoiled bran must also be an item in the programmes of extension agencies.

Millet Oil

- (iii) There is no difficulty envisaged in the case of maize. Maize germ, which comes out as a byproduct of the starch industry, is even now utilised for oil extraction. As already indicated in the beginning, bajra does present a potential for increasing use for oil extraction and this depends how far deoiled bajra could be popularised successfully in human diet as well as for livestock feeding, specially poultry birds.

Nature Grown Trees and Shrubs

(iv) Various aspects of oil yielding trees and shrubs including methods of collection, crushing facilities and also the scope of utilisation for industrial purposes were examined by a Sub-Committee set up for the purpose in 1970 by the Ministry of Agriculture. The Committee observed that oils produced from mahua, neem, karanja, kusum, khakan and sal etc., could be utilised satisfactorily by the soap, paint and varnish industries, thereby releasing equivalent amount of groundnut oil for direct consumption. It laid emphasis upon the utilisation of the oil potential available from oil yielding trees and shrubs in order to fill the gap in the demand and supply of vegetable oils. This subject has been dealt with in detail in Chapter 43 on Minor Forest Produce.

Cakes and Meals

22.1.20 The full utilisation of cakes and meals is going to determine the prospects of the oil crushing industry and hence of the production programmes of oilseeds in future. An idea of the total availability of

cakes and meals can be had from the following approximate calculations :

		(million tonnes)	
	Oil production	Per cent oil recovery	Cake/meal production
Oilseed field crops	6.42	25	19.26
cotton seed and rice bran	1.61	15	9.12
millets	0.34	3	10.99
plantation crops	0.11	50	0.11
nature grown trees and shrubs	1.20	15	6.80
			<hr/> 46.80

Assuming even a realisation of 90 per cent of this estimate in practice after allowing for wastage etc., the overall production of cake/meal can be expected to be of the order of 42 million tonnes. The disposal of such a huge quantity is going to be a big problem unless properly planned. Some suggestions in this regard are given below :

- (i) The maximum utilisation will have to be in livestock feeding. The groundnut cake and soyabean meal offer some scope even for human consumption in confectionery articles.

(ii) Many kinds of cakes hold promise for use as germicidal and pest repellent agents and, therefore, are required to be evaluated for such properties in an exhaustive and systematic manner. This specially applies to wild plants and trees. Other uses also require to be established.

(iii) Utilisation of cakes as manure is limited to a few species only. However, farmers are aware of the use of cakes like mahua for this purpose. Neem cake is preferred in mixture with urea, because it slows down the release of nitrogen, which otherwise can be lost unutilised. Proper experiments are necessary to be conducted with all kinds of cakes in order to establish their usefulness as manure. Further, in order to make them popular universally, concerted extension efforts will also be required.

(iv) There will have to be a proper balancing of internal demand and export. Sometimes, there is a slump in exports. This has already been referred to earlier in the case of cotton seed and rice bran. Such contingencies can be avoided by an alert export machinery and/or through

alternative means of utilisation, which should be thought of and kept ready in advance.

Organisation

22.1.21 The subject of oil crops and oil bearing vegetation is at present dealt with in a very scattered manner. Field crops are looked after by the Department of Agriculture. There is no single proper agency to deal with subsidiary materials like cotton seed and rice bran etc. There is no integrated governmental set up from the Central to State level to deal with seed collection from natural vegetation. The Khadi & Village Industries Commission has been making endeavours in this direction, which require to be encouraged and supported, in a big way through governmental involvement. A planation crop like oil plam has to be established firmly. There is no specific technological laboratory for oilseeds, the work is done on a ad hoc basis scattered over many laboratories. Cakes' disposal is scattered and disorganised and it operates largely through private involvement without any integrated policy to effect harmony between production and utilisation. All these defects are required to be removed and for doing this, there is need for four well coordinated wings one each for (a) field crops, (b) subsidiary oil bearing products of field crops, (c) nature

grown oil bearing plants and (d) byproducts of oil industry. These wings are necessary both on the research as well as production side, i.e., in the ICAR as well as in the Union Ministry of Agriculture and Irrigation under the Directorate of Oilseeds Development. A similar operational set up has to be created in the State Departments of Agriculture with necessary involvement of the agricultural universities on research side. Another deficiency, which requires to be removed, pertains to making available the facility of technological studies and analysis relating to oilseeds and their products to the oil industry just in the same way as the Cotton and Jute Technological Laboratories cater to the needs of their respective industries. At present, the oil mills have to get their problems solved not at one institute but at many universities and other laboratories on an ad hoc basis. Therefore, it is desirable that a Central Technological Laboratory for oilseeds and their byproducts should be created under the ICAR.

22.1.22 The diversity and dispersal of oilseeds in the country are of such a nature that any general all-India coordination of the type that exists today renders difficult giving separate attention to each kind. What can prove more effective is that each State should feel its own responsibility for research as well as developmental

work in regard to the oilseeds occurring in its jurisdiction. The first ladder of coordination should relate to such contiguous States which have common species and common problems. The Central coordination should be reduced to problems of all-India nature only. The Oilseeds Development Council at the Centre could be converted into a broadbased apex body for such central objectives. It could have representatives from the States, ICAR, Union Ministries of Agriculture and Irrigation, Industries and Commerce, Forest Research Institute, Dehra Dun, Khadi and Village industries Commission and the Oil Millers' Association or similar bodies. There has to be a very active and meaningful liaison among the ICAR and the Ministries of Agriculture and Irrigation, Industry & Civil Supplies and Commerce through the Council or even directly also. It is necessary that an apex body on the lines of the Centre is also created in every State. It could have representatives of the agricultural university, Departments of Agriculture, Horticulture, Planation Crops (if any), Forest, Industries, Khadi and Village Industries Board, representatives of oil industry and growers. It is this body which could represent a State on the Central apex body. The inter-State cooperation and coordination among the constiguous States could also be performed at the level of State apex bodies.

2. Agriculture Price Commission

While on this question of increasing the production of oilseeds, it is pertinent to lay emphasis on the large potential available in the State of Madhya Pradesh where it is stated that a sizeable proportion of the black soil area currently lying fallow during the kharif season can be brought under soyabean cultivation. Although the oil content of soyabean is relatively low, the protein rich oilcake is fetching a high price in the international market. Besides, the production of soyabean on this land would be a net addition rather than at the expense of any other crop and could make, despite its low oil content, a sizeable accretion to the domestic supplies of edible oils. The Commission therefore recommends that arrangements for the provision of necessary infrastructure facilities for the processing and marketing of soyabean be made in advance with a view to ensuring that the effort to expand the area under the crop in the State achieves sustained progress.

In order to overcome the shortage of edible oils the programme to increase the production of oilseeds needs to be supplemented with a drive, more vigorous than hitherto, to tap the unexploited potential

of cottonseed, rice bran and minor oilseeds. In the case of cottonseed, it is observed that a large quantity is directly fed to the cattle, besides a significant proportion of the seed which is not utilised for solvent extraction purposes. Similarly, as against an estimated total potential of over 4 lakh tonnes of oil obtainable from rice bran at the end of the Fifth Plan period, around 70 thousand tonnes only are currently produced. In order to be able to effectively tap these sources, the Commission suggests that steps be taken to progressively discourage the direct feeding of cottonseed to the cattle via a scheme for educating the farmers in the nutritional value of oil-cakes vis-a-vis seed as cattlefeed, and also to expedite the modernisation of the rice milling industry with a view to improving the quality of rice bran.

3. Tariff Commission Report on Vanaspati

Cottonseed and its oil

During 1968-69, 7.68 million hectares were under Cottonseed cultivation. The Vanaspati Industry is the principal consumer of Cottonseed oil. According to V.M.A., 130,000 tonnes of Cottonseed oil were available during the year 1970 out of which about 90,000 tonnes went into the manufacture of Vanaspati. The balance of 40,000 tonnes

was mainly consumed by the soap industry and a small portion was converted into refined oil for direct consumption. We have been informed that, "from a crushing of just about 6% of the available Cottonseed in 1958, timely incentives, research and technological development have now raised this quantity to about one-third of the seed produced. The incentives were mostly withdrawn in the middle of 1968 and this had had a curbing effect on development." It was, therefore, urged that, "there is a case for reconsidering the incentives at least till about two-thirds of all seed is crushed, i.e. 1.3/1.5 million tonnes, giving about 200,000 tonnes of oil".

At present 19.9% of Cottonseed oil is utilised in the manufacture of Vanaspati and we are informed that there is still further scope for its increased input which could go up to 25-30%. Beyond this level its increased use would present de-colorisation problem, increase the cost of processing as well as fetch less value for the soapstock. The difficulty, therefore, in so far as use of this oil is concerned, is not of any lack of potential supply but that of improving the method of extraction of this oil as also making it worth-while for its extractors to go in for it in a larger measure.

We have been informed that there were some inherent drawbacks which prevented the extraction of this oil in larger quantities. These are, "the price at present of Cottonseed, which only contains 20% of oil is Rs. 1000/- per tonne. Groundnut, with 50% oil, costs Rs. 1800-2000 per tonne. Clearly there is no economic advantage in crushing Cottonseed". This apart, "in Cottonseed, 50% of the seed weight is recovered as linters and hulls, both of which fetch a lower price than the whole seed. Hence the cost of the true oil-bearing material, the kernel, becomes even higher and this cost has to be borne by the oil and cake. Yet both these are priced vis-a-vis Groundnut products. Thus the pricing pattern for Cottonseed needs rationalisation". Moreover, whereas the manufacturer of Vanaspati got an indirect incentive through a provision of Rs. 75/- per tonne as rebate for use of Cottonseed oil in excess of 7%, there was no such incentive available to the crushers of this oil. Apart from this, since the present method of selling this oil was in semi-washed condition, its deep colouring which tends to get fixed in the oil thereby giving a poorer product cannot be substantially improved even later in refining at the time of Vanaspati process.

To sum up therefore the two essential pre-requisites before more Cottonseed oil could be crushed and used in

the manufacture of Vanaspati were to make it economical for the crusher of this seed to go in for larger crushing by giving him some kind of incentive and secondly to improve its processing technique.

Soyabean oil.

As stated earlier this oil was mostly imported. It was considerably cheaper than Groundnut oil. Its use in the manufacture of Vanaspati also varied. The degree of its input was controlled by Government which prescribed from time to time the level of its incorporation. We were informed that already much progress had been made in the agronomic field for going in for Soyabean cultivation on a large scale in India. We believe that this seed on a commercial scale would be available in the next year or two as it was the intention of Government to bring one million acres under Soyabean cultivation by the end of the current Plan. The oil content of Soyabean was low being only 18 to 20 per cent. We were informed that "if a million tonnes of Soyabean were available as a result of bringing into cultivation one million acres, then the resultant oil would be of the order of 2 lakh tonnes. The main advantage of Soyabean cultivation, however, lay in the high protein yield of its meal. Therefore while its utility as

provider of extra oil was some what limited, from the long term point of view it would be a profitable crop to grow."

Rice Bran Oil.-We understand that Rice Bran oil though not used as such in India, was also an edible oil and treated as such in many other parts of the world. The processing of this oil in India was of recent origin and some 75,000 tonnes were being annually produced. It was only used for industrial purposes. Being highly acidic, and some what unstable, it was not popular for refining and consequently for edible purposes. At present Rice Bran oil is not one of the oils permitted for use in the production of Vanaspati. We hope that when once this oil is available for edible purposes, Government would bring in necessary amendment in the existing V.O.P. Control Order so that there would be no difficulty for its utilisation in Vanaspati manufacture. We were informed that if small size solvent extraction plants could be attached to the rice mills, it should be possible to process the bran immediately after it was recovered during the polishing operations and the resultant oil could be refined and rendered fit for human consumption. During 1967-68 the paddy crop in India was 57 million tonnes yielding 38 million tonnes of rice. On the basis

of 5% recovery the rice bran yield would come to 28,50,000 tonnes which in its turn would give 3,42,000 tonnes of oil on the basis of 12% recovery. We feel that early steps are needed to mobilise this potential to augment our oil resources. We were informed that solvent extraction plants required for processing were not very expensive. Since we understand that the Government have a programme of setting up a number of new rice mills in the co-operative sector, it would be worthwhile considering whether such units could not also be equipped with these solvent recovery plants so that this readily available source of edible oil could be properly harnessed.

Apart from these oils, the development of oils, such as Neem and Karanja, if successfully exploited could help in augmenting our requirements of industrial oils which in its turn would enable greater release of edible oil for consumption. We understand that the potential availability Neem seed as 418,000 tonnes which would yield 836,000 tonnes of oil on the basis of an oil yield of 20 per cent and that of Karanja seed 111,000 tonnes which would give 30,000 tonnes of oil based on an oil yield of 27 per cent.

Sources:

1. INDIA (Ministry of Agriculture and Irrigation) Report of the National Commission On Agriculture, Part VI, 1976, pp. 126 - 146.
2. INDIA (Agricultural Price Commission) Report on Price Policy For Groundnut, The 1977 - 78 Season, May 1977, pp. 6 - 7.
3. INDIA ; Tariff Commission report on the Cost Structure Of And Fair Price Payable to the Vanaspati Industries, Bombay 1971, pp. 34 - 40.

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No.9/22/77-FT(ST)
Government of India
Ministry of Commerce

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New Delhi, the 19th May, 1977.

OFFICE MEMORANDUM

In pursuance of the decision of the Central Government in January, 1977 to issue free licences for import of edible oils to private trade, licences to the value of over Rs.500 crores have been issued upto the middle of April 1977. Information available with Government shows that so far edible oils have been imported only to the value of about Rs.40 crores. Government have, therefore, decided that a comprehensive study of all aspects relating to the import of edible oils by private trade under the free licensing scheme, including the prevailing situation of local supply, demand and price of edible oils, should be entrusted to the Indian Institute of Public Administration, New Delhi.

2. The Institute will submit its report within a period of three months from the date of this Memorandum. The Institute may, if necessary, submit interim reports on any matter of urgent importance requiring immediate attention of Government.

Sd/-

(K. RAMANUJAM)

JOINT SECY. TO THE GOVERNMENT OF INDIA

To

The Indian Institute of
Public Administration,
Indraprastha Estate,
Mahatma Gandhi Road,
New Delhi.

79-10316
26.12.79

Copy forwarded for information to:

1. Secretary, Department of Civil Supplies & Cooperation, New Delhi.
2. Secretary, Department of Food, New Delhi.
3. Chairman, State Trading Corporation, New Delhi.

Sd/-

(K. RAMANUJAM)

JOINT SECY. TO THE GOVERNMENT OF INDIA